

# Agency Strategic Plan

## Department of Taxation

### Agency Mission, Vision, and Values

#### Mission Statement:

The Virginia Department of Taxation's mission is to serve the public by administering the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency.

#### Agency Vision:

TAX believes in putting our customers first in everything we do, setting our performance as the benchmark for business and government, and creating an agency culture based on trust, fairness, and mutual respect. To ultimately have one vision, one team, one voice.

### Agency Executive Progress Report

#### Current Service Performance

In November of 1998, TAX's Leadership Team created the TAX 2004 Vision, which set out goals for TAX's core processes. Early the next year, this led to the creation of a blueprint document that was developed to define TAX's core business processes. TAX's operations are based on established core business processes instituted to serve the customers better, and the underlying theme, "Placing the customer first in everything we do."

Channel Management processes involve accepting, processing, and sending data for TAX. The data include tax returns, correspondence, and tapes from other agencies. The data comes to TAX through different "channels" such as the Internet, electronic transfer, tapes and paper. For the 2005 filing season TAX saw an increase in the electronic filing usage for returns. Individual filings were a 12% increase over 2004 to 1,452,000 and business transactions increased 123% to 1,177,849. Electronic payments through June showed a 24% increase to \$8.3 billion.

Customer Service processes involve interacting with customers, maintaining accounts, and responding to customer inquiries. Registering businesses and assisting customers who have difficulty paying their tax bills are also included in this area. These processes utilize all the available channels to exchange information and provide the best service possible to TAX customers. Current service targets measure the number of phone calls handled and the turnaround time for incoming correspondence.

Compliance processes identify TAX customers who have become noncompliant. These are customers who are either underreporting their tax obligation or not paying their reported tax liability. This area also helps bring customers into compliance and identifies recurring issues. Current collection of compliance revenues were 443.1 million in FY05. The Court Debt Unit provides collection services on request for Virginia's courts to collect delinquent court fines and fees. Collection of court fines reached a new high in FY05, totaling \$31.2 million, or about \$3.7 million more than was collected in FY04.

Policy Development, Revenue Forecasting, and Appeals and Rulings processes include developing and implementing tax policy for the benefit of Virginia TAX customers, employees, and stakeholders, revenue forecasting and estimating, formal appeals of audit assessments, and requests for rulings. Policy Development has implemented a new database to create and manage fiscal impact statements and legislative action summaries, and track legislation for the agency. This database has streamlined the process by eliminating paper, having the approval system electronic, and having the information in one place easily accessible for users. TAX is responsible for forecasting the Virginia official economic outlook, the General Fund Revenue forecast, the Commonwealth Transportation Fund forecast, the Personal Property Tax Relief Act (PPTRA) reimbursement forecast as well as the DMV Special Fund forecast.

In FY05 statewide, employment was forecast to increase 2.4%, the actual increase was 2.5%. Employment growth was strongest in Northern Virginia which can be attributed to increases in federal government

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spending on homeland security and defense. Personal income was forecast to increase 6.0% while the actual increase was 7.3%, driven by healthy economic growth in the second half of fiscal year 2004. General Fund revenues rose by 9.7%, exceeding the official forecast of 6.7% growth. The strength in revenue collections was broadly based. Collections in the two largest revenue sources – payroll withholding taxes and sales taxes -- representing over 85% of revenues, ended the year with a forecast variance of 0.3%. The Commonwealth Transportation Fund was expected to increase 2.8% and actual collections increased 3.3%. Actual Personal Property Tax Relief Act (PPTRA) reimbursements for FY05 totaled \$907.2 million, \$4.0 million below the official forecast of \$911.2 million and 3.1% above FY04 levels. FY05 marked the third consecutive year that actual reimbursements were less than the forecast. The forecast variance is primarily attributed to a slowdown in the rise of new and used vehicle values and a delay in reimbursement requests by some localities. The Department of Motor Vehicles' Special Fund collections increased by 1.6% versus the official forecast of a 2.9% increase.

Since the establishment of Appeals and Rulings in August 2001, by June 30, 2005, active case inventory has been reduced by 48% and the number of cases more than 120 days old has been reduced by 66%, meaning response time to taxpayers' appeals, offers and ruling requests has been reduced dramatically. On average, 65-70% of the assessed amounts are upheld, collected and deposited, which translates to \$17.6 million per year on average.

### **Productivity**

#### e-Government

- Over 1.4 million returns are filed through new Internet and telephony channels, eliminating the need to receive and process paper returns
- Nearly \$2 billion in sales tax return payments are made on-line
- 80,000 new businesses have registered on-line, eliminating a long and complex paper return process
- Over 900,000 tax policy documents have been retrieved on-line, ensuring easy citizen access without the need for a written request
- Over 45,000 payment plans for outstanding bills have been established through a self-service telephony system, resulting in nearly \$26 million in payments

#### Channel Operations

- 95% of Individual refunds issued in less than 12 days, compared to 85% in 2000 (99% of refunds for electronic returns issued in less than 12 days)
- Interest paid on individual income tax refunds reduced by 50%
- Over 6 million documents imaged to date, allowing instant access by all agency staff
- Peak period staffing reduced by 30%
- Warehouse space for storing paper returns reduced by 50%
- Peak-period payment deposit time reduced by 25%

#### Customer Relationship Management

- Correspondence turnaround time reduced by 50%
- Inbound contacts reduced by 10%
- Correspondence backlog of 55,000 eliminated, and correspondence now responded to in substantially less time than the 30 day objective

#### Compliance

- Revenue generated through the Partnership initiative totals \$232 million as of June 30, 2004
- Auditor productivity up 10%
- 8 of 9 district offices closed as a result of the home-basing initiative to field auditors and collectors
- Over 9,000 third-party liens issued per month, a 160% increase over the old system

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### **Major Initiatives and Related Progress**

#### Partnership Project

In July 1998, TAX entered into a Public Private Partnership with CGI-AMS, Inc. (formerly American Management Systems, Inc.) to reengineer our business processes and leverage appropriate technology to foster business success. This benefits-funded modernization project has already resulted in significant operational improvements and customer service improvements, including entirely new customer services, taxpayer compliance initiatives, new filing channels, a complete modernization of all technology platforms, as well as significant organizational improvements and operational efficiencies.

The Partnership Project has already successfully completed over twenty large information technology projects, covering a wide range of business processes, including compliance, document processing, customer service, and other areas. In addition, a complex and highly visible Tax Amnesty program was added to the scope of the Partnership Project and was successfully executed. The final implementation occurred Summer of 2005, and the contract will conclude in September of 2006.

The Partnership Project has never been seen as an endpoint but instead as a launching platform. The Partnership has already delivered over twenty new technology systems, including the following:

- STRATA – A collection prioritization and risk assessment tool.
- Sales Tax Audit and Nexus (STAUDN), Withholding, Corporate – An application used to perform audits at the taxpayer's place of business.
- Computer Automated Collections System for Government (CACSG) – An automated collections system that provides for tracking of assessments through various collection stages.
- Customer Relationship Management (CRM) – An approach to meeting customer's needs that relies on a suite of technology systems that provides customer assistance, customer contact tracking, correspondence tracking, and case management.
- Imaging/Optical Character Recognition (OCR)/Intelligent Character Recognition (ICR) – Automated data and image capture of returns and correspondence.
- Remittance Processing – A system that provides for preparation of checks for bank deposit and data extraction for input into the enterprise system.
- Compliance Repository and Auditor's Toolkit – A data warehouse of taxpayer information and an application that allows for comparison of data to select audit candidates and manage the resulting audit activities.
- Lotus Notes – Administrative applications that support applications such as an online Agency Operating Procedures application, Collaborative Work Environment application, Configuration Change Management Tracking application, a Procurement Tracking application, and a Legislative Tracking application.
- ADVANTAGE Revenue (AR) – Back-office taxpayer accounting system that maintains taxpayer demographic and account information.
- VATAX Online – A full suite of online services for businesses and individual income tax customers.
- The iReg for Business application allows new businesses to register online and allows existing businesses to add business locations and consolidate their filings.
- The iFile for Business application allows taxpayers to file sales, use, and withholding taxes over the Internet.
- The iFile for Individual application allows individual taxpayers to file over the Internet, to check their refund, and to change their name and address.

#### Amnesty Program

In 2003, Governor Mark Warner proposed and the Virginia General Assembly enacted Virginia Code § 58.1-1840.1 establishing the Virginia Tax Amnesty Program for the purpose of improving voluntary taxpayer compliance and increasing and accelerating collections of certain taxes owed to the Commonwealth. Amnesty was expected to produce \$48.5 million in additional tax revenue. The statute took a "carrot and stick" approach to Amnesty. During a period of 60 to 75 days established by the Tax Commissioner, all eligible

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taxpayers could satisfy tax debts by paying the entire tax and half of the accrued interest. Eligible taxpayers could be forgiven payment on the "other half" of the accrued interest and all penalties assessed to date. At the same time, however, an additional penalty of 20% on the original principal would be imposed upon any Amnesty-eligible debts not satisfied during the limited Amnesty window.

The campaign focused on two themes: user-friendly filing and payment options for taxpayers, and extensive taxpayer education and public awareness of Amnesty's benefits.

User-friendly filing and payment options included the following:

- No Amnesty application form required from taxpayers
- "Bill-by-Bill" participation by taxpayers in Amnesty
- Interest rates on omitted taxes simplified to a single annual rate of nine percent
- Interest accruals frozen on day 1 of the Amnesty window to keep bill amounts from being "moving targets"
- Payment Plans available to make 6 monthly installments
- A new Amnesty web site featuring "QuickPay"
- Web access to an interest calculator to remove the guesswork from interest calculations on omitted taxes
- Web access to all Amnesty Rules, Guidelines, Forms, and FAQ's
- Seven local offices available for Amnesty walk-in service in last two weeks of the campaign

By any measure, the Amnesty campaign exceeded expectations. The final tally on Amnesty revenue was \$94.9 million above baseline collections, well above the target of \$48.5 million. Among the most outstanding results achieved by the project was the processing of a huge flood of tax returns and payments mailed on the final day of Amnesty in just two weeks. This rapid clean-up of Amnesty cases allowed audit and collections programs to resume normal activity two weeks after the campaign closed. Timely commencement of normal compliance programs was critical in avoiding a counterproductive post-Amnesty dip in compliance revenue. The successful conduct of the campaign together with the quick resumption of normal operations are a point of pride with TAX making the Amnesty program a truly satisfying accomplishment.

### Tax Reform Act of 2004

In November 2003, Governor Warner introduced his Tax Reform Plan which was aimed doing three things, 1) make the tax code fairer, 2) meet Virginia's commitment to education and other core services, and 3) preserve the state's fiscal integrity and help secure its triple-A bond rating. Of the 16 specific components proposed by Governor Warner, 11 were adopted into law:

- Raise the income tax filing threshold (minimum income at which you must file a return)
- Raise the personal exemption
- Reduce the sales tax on food
- Eliminate the marriage penalty
- Provide tax relief to military and National Guard families
- Provide tax incentives for small businesses to invest in Virginia
- Reform the age deduction (based on income)
- Increase the state sales tax
- Close some corporate loopholes (intangible holding companies)
- Require corporations using "pass through entities" to report their shareholders' earnings in Virginia
- Increase the state cigarette tax

Implementation of these components was a new initiative for TAX in FY05 with some of the initial work starting in FY04. The provisions of the Tax Reform Act contain 14 effective dates and modify provisions of 7 different taxes.



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### **Virginia Ranking and Trends**

While TAX knows of no objective rankings of tax or revenue agencies, the following awards indicate TAX is a leader in the nation:

- 2001 Federation of Tax Administrators (FTA) award for Management and Organizational Initiative in State Tax Administration
- National Association of State Chief Information Officers (NASCIO) 2001 Recognition Award for Outstanding Achievement in the Field of Information Technology
- Semifinalist - Innovations in Government Award from the John F. Kennedy School of Government at Harvard University
- The Council of State Governments Eagle e-Government Award of Excellence, recognizing the VATAX Online as one of the best Executive Branch Web sites in all of state government across the nation
- 2002 Governor's Technology Award for Public-Private Partnerships
- 2003 Cost Effectiveness Through Government Award, sponsored by the National Electronic Commerce Coordinating Council
- 2003 4th place award from the Center for Digital Government in the category of Best Government Applications for State General Government
- 2004 Honorable mention winner for Excellence in E-payments, sponsored by the National Electronic Commerce Coordinating Council
- 2004 First place Gold Quill Award in both Marketing Communications and the Economic, Social & Environmental Development categories; Merit award for Multi-Audience Communications, sponsored by the International Association of Business Communicators (IABC) for the Virginia Tax Amnesty public awareness media campaign
- 2004 DC Chapter of International Association of Business Communicators: two Silver Inkwell Awards as follows: Communication plans and campaigns in the advertising or marketing category, and Communications plans and campaigns: in the fund-raising category
- 2004 Direct Marketing Association: a silver award in the Not-for-profit/multimedia/Integrated Media category
- 2004 Telly Awards: Three awards - one silver statuette, the Tellys' highest distinction, and two bronze statuettes
- IRS "Honorable Mention" for over 1 million e-filed returns for the 2005 Filing Season
- 2005 Governor's Technology Award for Public-Private Partnerships

### **Customer Trends and Coverage**

TAX sees its customers having basic computer knowledge and using the Internet to a greater extent. TAX believes there is a large and increasing number of taxpayers who can and will use the Internet to serve themselves 24 hours a day if the information is available to them. The customer base is increasing in age and ethnic diversity.

### **Future Direction, Expectations, and Priorities**

TAX will continue its commitment to serving the public with customer focused services that are more efficient and productive. TAX's focus will be to exploit the technology tools that have been implemented through the Partnership Project to keep offering more innovations in customer service products and match employee skill sets with customer needs.

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### Impediments

TAX faces many challenges. Funding is always important and maintaining current funding levels are critical to providing current service processes. It becomes difficult to retain funding levels with unfunded mandates and initiatives. Staffing is also a critical issue as TAX's workforce is aging with many staff able to retire in the near future. Then there are the additional challenges of leveraging a full time workforce with a large temporary workforce and the limited availability of skilled candidates for hire. Also the makeup of the staff is changing as TAX moves from a paper-based organization to a technology-driven organization. Another obstacle for TAX is its multiple locations. TAX is located in four buildings in the Richmond area which leads to lost time because of travel, communications, etc.

## Agency Background Information

### Statutory Authority

Title 58.1

Chapter 1 Taxes Administered by the Department of Taxation, Chapter 2 Department of Taxation, Chapter 3 Income Tax, Chapter 6 Retail Sales and Use Tax, Chapter 6.1 Virginia Tire Recycling Fee, Chapter 8 State Recordation Tax, Chapter 9 Virginia Estate Tax, Chapter 10 Cigarette Tax, Chapter 14 Virginia Watercraft Sales and Use Tax, Chapter 15 Virginia Aircraft Sales and Use Tax, Chapter 16 Forest Products Tax, Chapter 17 Miscellaneous Taxes, Chapter 18 Enforcement Collection, Refund, Remedies and Review of State Taxes, Chapter 26 Taxation of Public Service Corporations, Chapter 32 Real Property Tax, Chapter 35 Tangible Personal Property, Machinery and Tools and Merchants' Capital, Chapter 36 Tax Exempt Property, Chapter 37 License Taxes, and Chapter 39 Enforcement, Collection, Refunds, Remedies and Review of Local Taxes.

§3.1-336 Virginia NPM Statutes

### Customer Base:

Customer Description	Served	Potential
Agency Management and Employees	1,000	1,100
Attorney General's Office	1	1
Cigarette Stamping Agents	150	200
Federal/State/Local Governments	216	216
General Assembly	140	140
Governor's Office	1	1
IRS/Professional Associations	31	31
Local Assessing Officials	150	150
Localities	134	134
Motor Fuel Districts	2	2
State Agencies	124	124
Taxpayers of the Commonwealth	3,500,000	4,000,000
Tobacco Wholesalers	154	154

### Anticipated Changes In Agency Customer Base:

TAX anticipates our customer base to grow. The average annual growth in new taxpayers is over 2%.

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### **Agency Products and Services:**

#### **Current Products and Services**

- Performs tax payment processing, tax return processing, data capture and error resolution, refund issuance, electronic filing and payment services, forms development and provides mail pickup and delivery for entire agency. (Deposits over \$15 billion annually and issues over \$1.2 billion in tax refunds.)
- Generates Fiscal Impact Statements on pending legislation, writes reports to the Governor and General Assembly, and drafting of other documents (Tax Bulletins, Regulations, Rulings, Annual Report, Annual Survey of Local Tax Rates).
- Drafts determination letters for the Tax Commissioner's signature for 1821 appeals, rulings on factual scenarios based on established policy, gives technical assistance to taxpayers, TAX employees, and other agencies, settling disputed liabilities through offers in compromise, advisory opinions on factual scenarios for BPOL and local business taxes, and responding to requests for change in corporation filing status.
- Creates Economic Outlook notebook for the Governor's Advisory Board of Economists and Economic and Revenue Outlook notebook for the Governor's Advisory Council on Revenue Estimates, prepares speeches and presentations for the Governor's office, and prepares monthly revenue report for the Governor's office.
- Answers incoming telephone calls from taxpayers, answers incoming correspondence, both paper and fax, from taxpayers, answers incoming e-mail and secure messages from taxpayers, assists walk-in taxpayers at public offices, issues refunds, issues assessments, makes online adjustments, issues direct deposit corrections, grants abatements, and monitors tax credit usage.
- Audits to ensure compliance, assessing of outstanding taxes, refunding overages, and collecting delinquent taxes.
- Delivers new technology systems and tools to TAX that will enable business success needs that relies on a suite of technology systems that provides customer assistance, customer contact tracking, correspondence tracking, and case management.
- Sells tobacco stamps to wholesalers, prepares the Financial Statements for the agency, processes all invoices for payments, prepares the Agency budget, distributes funding to external agencies (localities, motor fuel districts, contribution agencies, set off agencies), and performs the accounting for all transactions that take place in a taxpayers account, to include all revenue received, all refunds issued, all bills created, etc.
- Conducts recruitment and hiring, provides compensation management, manage benefits administration, administer rewards and recognition programs, administers performance management, offers employee dispute resolution, provides workforce development and training, and provides succession planning.
- Performs scheduled audits of activities and special projects throughout TAX, investigates allegations made through the State Employee Fraud, Waste, and Abuse Hotline, serves as TAX's liaison for audits and reviews conducted by the Auditor of Public Accounts, serves as Contract Administrator over Northrop Grumman (independent monitor of the Partnership Project), reports identifying opportunities to improve agency operational efficiency, effectiveness, controls, risk management, and specific areas where revenues can be increased and costs reduced, reports authenticating or negating allegations of employee fraud, waste, and abuse and short and long-term recommendations to address instances with merit, conducts timely and nondisruptive annual independent audits, and provides relevant and timely recommendations resulting in the successful implementation of the Partnership Project initiatives and systems.
- Produces agency newsletter VISION, brochures, pamphlets, fliers, posters, fact sheets, tabletop presentations, etc., creates marketing campaigns, drafts media releases and media advisories, and conducts media calls and press conferences.
- Develops, bids and administers purchases for long-term contracts and spot purchases, administers eVA for the agency, administers the agency's Small Purchase Charge Card Program, administers fleet activities for the agency, handles requests for state pool and permanently assigned vehicles, maintains

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agency owned facility, administers various facilities contracts, provides maintenance and security services to staff at all agency locations, provides relocation services, space design and construction management at all locations, administers all agency leases, provides support services for all IT systems related to wiring and cooling needs, administers and updates emergency and safety procedures, throughout the agency, administers TAX's physical and access security, and monitors daily operations and guard performance.

- Manages technology support delivery – Plan and manage delivery of the technology systems at TAX that enable business operations, including the budget for technology services.

Develops and maintains application software - develop, test, maintain and operate TAX's technology systems, including over twenty complex IT systems that comprise an Integrated Revenue Management System. Includes annual legislative modifications, as well as TAX's self-service eGovernment channels.

- Manages the technology environment configuration – manage, plan, monitor, and oversee TAX's technology infrastructure, and approve all changes to the technology infrastructure, including a Change Control group that ensures effective migration (and protection) of all production systems, upgrades, maintenance, enhancements, and releases.

- Ensure all components of the technology infrastructure (hardware, software, and environment configurations) are maintained and changes to production systems are properly controlled and tested.

- Administers and enables IT Security – Administer daily security activities such as adding, removing, and modifying users and their associated access (over 2,500 system users), reviewing audit trails, access attempts, virus threats, and potential browsing incidents, ensuring the security of TAX's data, systems and technology infrastructure by providing expert guidance to ensure security is “designed in” and exploiting best practices use of technology tools to improve intrusion detection, prevent unauthorized access, and enhance security administration.

- Manages IT Disaster Recovery - Manage a comprehensive IT Recovery plan, encompassing all aspects of IT connectivity, applications and services. Ensure the full recovery of any unplanned computing services interruptions.

- Ensures Quality Control - Ensure changes to production systems are monitored and controlled to reduce risks to the agency and minimize errors. Ensure software changes are successfully migrated from test to production. Manage software version control to ensure a clear separation between test systems and production systems. Approximately 1,200 changes are implemented annually.

- Supports TAX's Technology Infrastructure – Management of TAX's databases and support for UNIX.

- Coordinates the Advanced Assessors' School including the hiring of instructors, finding suitable classroom space, arranging for housing and meals, obtaining course materials, handling registration, billing and payments.

- Gives advisory aid to all local assessing officials, education of boards of equalization and boards of assessors, training provided through the Basic Assessors' School and Basic Tangible Personal Property School, staff provided for the State Land Evaluation Advisory Council (SLEAC), refunds and opinions regarding the state recordation tax, rolling stock assessments of railroads and freight carline companies, statement of assessed values for local tax purposes of railroad and interstate pipeline transmission companies, original and revised property tax maps, review of appraisals submitted in support of the state land preservation credits, and the statewide assessment/sales ratio study.

- Compiles cigarette stamp usage data from monthly tax returns filed by cigarette stamping agents, performs desk reviews of cigarette data to document and verify stamping agent information, and provides Nonparticipating Manufacturers' (NPM) sales data to the Office of the Attorney General on an annual basis to be used in diligent enforcement efforts.

### Factors Impacting Agency Products and Services

#### TAX POLICY RESEARCH AND ANALYSIS:

The quantity and complexity of tax legislation and the size and complexity of business transactions for which due diligence requires advance definitive tax guidance.

#### APPEALS AND RULINGS:

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Number and quality of assessments issued, the Federal and state law changes, regulation and policy changes, court decisions, and changes in the manner in which companies conduct business.

### TAX RETURN PROCESSING:

Seasonal factors affect services, for example, with over 90% of individual income tax returns processed between early February and early June, this area requires an annual recruitment process to ensure staff is in place to deal with peak return and payment volumes. Economic factors affect the quantity and quality of available staff.

### CUSTOMER SERVICE:

Affected by changes in tax laws and changing population numbers and demographic levels, customer service needs increase with tax activity, whether associated with compliance activities, refund/return filing, or error resolution activity.

### COMPLIANCE AUDIT:

This service area heavily relies on TAX's computer system. Many of the staff are home-based. The staff is also expected to travel rather frequently.

### COMPLIANCE COLLECTIONS:

Efficient performance of this service relies on maintaining a well trained staff and the operation of technical support services that can quickly and reliably bring accurate information to the staff.

### GENERAL ADMINISTRATION:

The 24 hour deposit rule requiring all tax payments be deposited into the bank and CARS (Commonwealth Accounting and Reporting System) within 24 hours, restrictive State purchasing laws, policies and procedures, availability of goods and services, and enactment of VITA changes.

### INFORMATION TECHNOLOGY:

Technology systems, including application software and hardware, must be upgraded and refreshed on an ongoing basis to ensure they operate correctly and are available for use by end users. Further, TAX must refresh hardware and upgrade software versions in a timely manner to eliminate the risk of the Commonwealth's revenue systems becoming obsolete again in the future, jeopardizing all of TAX's business operations. Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel. The customer demand for and use of electronic, self-help services continues to increase, requiring continued capacity expansions within existing services. Agency management and users continue to demand automated solutions to replace historically manual tasks. This results in increased operating efficiency and improved customer services, but requires an ongoing commitment to information technology services.

### TRAINING FOR LOCAL ASSESSORS:

Factors such as locality budgets, availability of instructors, adequate number of students interested in a particular offering, availability of classrooms and housing can have a negative impact on participation.

### VALUATION AND ASSESSMENT ASSISTANCE FOR LOCALITIES:

Limited budget sources and staffing.

### TOBACCO MASTER SETTLEMENT AGREEMENT:

Legislative changes and constant administrative changes in MSA and Nonparticipating Manufactures' requirements driven by continuing litigation in the tobacco industry.

### **Anticipated Changes in Agency Products and Services**

#### TAX POLICY RESEARCH AND ANALYSIS:

The volume of documents are expected to continue without substantial change and depend on the quantity and complexity of tax legislation and business transactions. Taxpayers and tax practitioners are expected to request more guidance as the complexity and monetary risks of business transactions increase.

#### TAX RETURN PROCESSING:

TAX anticipates a greater reliance on electronic filing and technological advances to gain efficiencies and serve our increasing volume of customers.

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### CUSTOMER SERVICE:

The implementation of Advantage Revenue (AR) and other electronic resources will provide more services to taxpayers at a single point of contact.

### PUBLIC PRIVATE PARTNERSHIP:

All but one of the new systems have been successfully implemented, have proven value in terms of providing new services and improving operating efficiency, and are now mission critical components of TAX's operations. One important task remains – the replacement of TAX's legacy back-office taxpayer accounting system (STARS) with the new accounting system Advantage Revenue (AR). AR is the single largest component of the program. AR was implemented in August 2005 and the new accounting system has been integrated with all of the other initiatives implemented during the Partnership, resulting in the Integrated Revenue Management System (IRMS).

### GENERAL ADMINISTRATION:

There continues to be an ongoing need to train and cross-train agency employees resulting from the new taxpayer accounting system implemented in August 2005, GASB 34 impact on Financial Statements, and an increased participation of agency employees in eVA procurement. With the transfer of IT staff to VITA, all telephone, data and electrical wiring for IT systems will be responsibility of TAX. Additional security hardware and software will be required to maintain the level of security needed for the multiple locations, including additional IRS requirements.

### INFORMATION TECHNOLOGY:

Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel. The customer demand for and use of electronic, self-help services continues to increase, requiring the development of new electronic channels to replace traditional paper-based services as well as those services which currently involve direct interaction with agency staff. TAX plans to continue to exploit the eGovernment capabilities implemented in recent years to allow more citizens to interact with us electronically at a time that is convenient for them. Over the past few years, TAX implemented a broad range of technology-based solutions that have allowed dramatic improvements in operating efficiency as well as allowed TAX to improve service to citizens. Now that the tools are in place, TAX plans to exploit the capabilities inherent in those tools to ensure continuous improvement in operating efficiency and customer service.

### TOBACCO MASTER SETTLEMENT AGREEMENT:

Anticipate increasing need for oversight and verification of Nonparticipating Manufacturers' data as Participating Manufacturers become more aggressive in their legal challenges to the annual MSA payments.

### **Agency Financial Resources Summary:**

The agency is the largest depositor of general fund revenue and is predominantly funded from the general fund. It uses nongeneral funds for outside collection agencies funding (percentage of collections), the partnership project funding, railroad and pipeline assessment funding, and local assessor training classes.

	<b><u>Fiscal Year 2007</u></b>		<b><u>Fiscal Year 2008</u></b>	
	<b>General Fund</b>	<b>Nongeneral Fund</b>	<b>General Fund</b>	<b>Nongeneral Fund</b>
<b>Base Budget</b>	\$81,075,261	\$21,825,856	\$81,075,261	\$21,825,856
<b>Changes To Base</b>	\$4,994,890	(\$10,283,359)	\$4,916,410	(\$12,783,359)
<b>AGENCY TOTAL</b>	<b>\$86,070,151</b>	<b>\$11,542,497</b>	<b>\$85,991,671</b>	<b>\$9,042,497</b>

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### Agency Human Resources Summary:

#### **Human Resources Overview**

TAX is headquartered in Richmond, and relies on a balance of classified, wage and contract employees to deliver compliance, processing, customer contact, administrative and support services to its customers. Approximately 200 field personnel are home-based outside of the Richmond area, including 22 non-resident auditors in other states. Generally, the agency has been able to meet its staffing needs satisfactorily; however, if the unemployment level continues to remain low, it is anticipated that alternatives to traditional staffing may need to be explored to meet our staffing demands in the near future, especially as more staff become retirement-eligible.

#### **Full-Time Equivalent (FTE) Position Summary**

Effective Date:	06/01/2005
Total Authorized Position level .....	908.5
Vacant Positions .....	43.5
Non-Classified (Filled).....	2
Full-Time Classified (Filled) .....	862
Part-Time Classified (Filled) .....	1
Faculty (Filled) .....	0
Wage .....	238
Contract Employees .....	96
Total Human Resource Level .....	1199

#### **Factors Impacting Human Resources**

- The average age of the classified workforce continues to increase. At present, it is 46.5, with approximately 10% of our employees currently over the age of 60. 104 employees (approximately 12% of the workforce) are retirement eligible (unreduced benefits) in 2005-06 and approximately 24% are eligible for full retirement in the next 5 years.
- With an aging workforce, the agency anticipates an increase in work-family issues as well as use of short-term and long-term disability.
- Many of our home-based field personnel are eligible for retirement in the near future, with two of our districts potentially losing more than half of their workforce over the next 2-3 years due to retirements. Of particular concern is the ability to attract and retain Northern Virginia based Audit staff.
- Implementation of a state-of-the-art Integrated Revenue Management System (IRMS) in 2005 will affect hiring of new employees, with a focus on individuals who have greater levels of technical competence than before.

#### **Anticipated Changes in Human Resources**

- TAX may need to replace 24% of its workforce over the next five years because of retirements; this is on top of normal turnover of approximately 4%. Many of the key positions that will become vacant in the next one to three years are positions that require extensive TAX knowledge. It is apparent to the agency that we will need to: 1) ensure effective knowledge transfer and 2) properly develop our future leaders.
- Human resource levels should remain fairly constant over the next several years to deliver the expected high service levels to our customers. This may require creative compensation strategies and more flexible work arrangements (such as telecommuting or alternative work schedules) if the job market continues to be strong and workers with the requisite skill sets are in high demand.
- TAX may need to increase its reliance on wage or contract workers to fill in the staffing gaps due to temporary vacancies caused by disabilities and other Family Medical Leave Act (FMLA) issues.

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### **Agency Information Technology Summary:**

#### **Current State / Issues**

Since 1998, TAX has been going through a period of rapid development and change and has implemented over twenty successful large IT systems. The results of these various implementations are a complex, mission critical technology environment providing capabilities and services previously unachievable and enabling business success that is unprecedented.

- In August 2005, TAX will be implementing the final component of a complex integrated financial system that is improving agency operating efficiency and providing a broad range of new and improved customer services. The immediate challenge for TAX will be to ensure the system operates as designed in production, and that employees become proficient in its use.
- While TAX has been developing this new integrated technology system over the past 5 years, some components had to be frozen on their existing platform or version so that testing could be performed. Our environment technology requires that we remain current on the software versions that support all of the technology systems at TAX. Once the final component of our new system is implemented and stabilizes, TAX must invest time and resources into upgrading existing technology versions before they become unsupported by the manufacturer. This will be an important and ongoing focus area for TAX.
- This new integrated technology system provides a broad range of new functionality and new tools. Users are more sophisticated in their use of technology and will request additional enhancements once they learn to use the new system and identify changes that will further improve operating efficiency. These enhancements will have to be prioritized as we gain enough experience to make reasonable changes.

#### **Factor Impacting Information Technology**

- The technology that has been introduced at TAX over the past five years has enabled unprecedented business improvements and has provided a foundation for continuous improvement. TAX has an opportunity to literally exploit these new systems and technologies to further advance customer service and operating efficiency over time. Our capabilities are no longer limited by technology, but are only limited by our ability to effectively manage in a continuously changing (improving) environment. For example Siebel is used for basic routing of taxpayer contacts based on the reason for the contact and availability of staff. In the future, we can integrate the capabilities of our Learning Management System with the contact routing capabilities in Siebel, by developing a comprehensive skills inventory of all staff and routing calls to staff that are skilled in a particular area rather than next available person.
- TAX already provides functionality for online Internet filing of individual and business tax returns, paying bills and taxes online, and registering businesses online, but there are a number of additional enhancements and services taxpayers are requesting which can be implemented. e-Government is another technology solution that can be continuously leveraged and exploited to address changing customer needs while ensuring operational efficiency.
- Annual legislative changes require TAX to make system changes whenever the tax laws change. Now that our new system provides a wider array of taxpayer services, and channels for accessing those services, changes are frequently required in multiple systems, requiring more complex integrated testing to be performed.
- As the IRS continues to exploit the use of technology for federal tax administration, states must be able to adapt and continue strong partnerships in support of compliance and enforcement programs.



# Agency Strategic Plan

## Department of Taxation

### Anticipated Changes / Desired State

- As with any major system implementation, a process for managing changes, new requests, and additional enhancements must be created based on priorities and available resources.
- TAX is proud of the number of successful IT projects and new technology that has been implemented over the past few years but TAX needs to continue to seek opportunities where technology can be exploited to provide even better services and more efficient operations. Customer needs and expectations change frequently, and the technology available to enable customer service is continuously improving. TAX must continuously invest in technology not only to maintain our current state of operations, but to continuously improve our ability to operate efficiently and meet customer expectations. High performing organizations are always seeking opportunities for business process improvement, often enabled by technology.

### Agency Information Technology Investments:

	<u>Cost-Fiscal Year 2007</u>		<u>Cost-Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Major IT Projects	\$100,800	\$0	\$0	\$0
Non-Major IT Projects	\$1,000,000	\$0	\$0	\$0
Major IT Procurements	\$4,200,000	\$0	\$4,000,000	\$0
Non-Major IT Procurements	\$2,884,000	\$0	\$2,884,000	\$0
<b>Totals</b>	<b>\$8,184,800</b>	<b>\$0</b>	<b>\$6,884,000</b>	<b>\$0</b>

### Agency Capital Investments Summary:

#### Current State / Issues

The Department of Taxation is currently in four different locations in the Richmond area. This was necessitated by a falling roof issue at the 2220 West Broad Street headquarters building in the fall of 1999. The agency still occupies three floors of this headquarters building (the 1966 addition) that is under a separate roof. The maintenance reserve spending in the budget is to preserve this building.

The agency has been in discussions with the Department of General Services to co-locate the Virginia Retirement System and TAX in a new building to be constructed on the 2220 West Broad Street site. This capital request for a new building is under discussion among the three agencies and the Department of Planning Budget.

#### Factors Impacting Capital Investments

Decision on whether a new building will be constructed at 2220 West Broad Street.

#### Capital Investment Alignment

## Agency Goals

### Goal #1:

***Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally***

#### Goal Summary and Alignment:

TAX's interaction with the legislature, executive branch, taxpayers and external interest groups is critical to providing the information necessary to make policy decisions and to foster compliance with Virginia's tax laws.

# Agency Strategic Plan

## Department of Taxation

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### **Statewide Goals Supported by Goal #1**

- Be recognized as the best-managed state in the nation.

### **Goal #2:**

***Ensure That Virginia Citizens and Businesses Understand and Comply with Virginia Tax Obligations as Prescribed by Law***

#### **Goal Summary and Alignment:**

Using consistency in informing citizens and businesses of their tax obligation and enforcing their compliance puts all Virginians on a level field. This aligns with the long-term objectives of preserving and enhancing our economy, of engaging and informing citizens to ensure we serve their interests, and striving to be the best-managed state in the nation.

### **Statewide Goals Supported by Goal #2**

- Be a national leader in the preservation and enhancement of our economy.
- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.

### **Goal #3:**

***Ensure Customer Satisfaction***

#### **Goal Summary and Alignment:**

Foster positive customer interaction by providing timely responses to customer inquiries whether offered via letter, telephone, or email. Improving service quality to inform the citizens and businesses better of their tax obligations.

### **Statewide Goals Supported by Goal #3**

- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.

### **Goal #4:**

***Implement innovative technologies for core business services to maximize operational efficiency and effectiveness.***

#### **Goal Summary and Alignment:**

Improving productivity through innovation and increased technological capabilities to ensure collaboration among business units. These technological advances will ensure the administration of the tax laws in an efficient and consistent manner.

### **Statewide Goals Supported by Goal #4**

- Be recognized as the best-managed state in the nation.

### **Goal #5:**

***Provide for the effective performance of TAX personnel.***

#### **Goal Summary and Alignment:**

By maximizing the effectiveness and efficiency of its personnel and operations, TAX will be able to provide excellent service to its customers.

# Agency Strategic Plan

## *Department of Taxation*

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### **Statewide Goals Supported by Goal #5**

- Be recognized as the best-managed state in the nation.

### **Goal #6:**

#### ***Provide Valuation and Assessment Assistance to Localities***

##### **Goal Summary and Alignment:**

By providing assistance to local governments in the administration of the local property tax laws (both real and personal) of the Commonwealth, the Department of Taxation ensures that all property is assessed uniformly and at fair market value as prescribed by the Virginia Constitution. This aligns with the long-term objectives of preserving and enhancing our economy, of engaging and informing citizens to ensure we serve their interests, and striving to be the best-managed state in the nation.

### **Statewide Goals Supported by Goal #6**

- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.

# Service Area Plan

## Department of Taxation

### Tax Policy Research and Analysis (71507)

## Service Area Background Information

### Service Area Description

- This area provides research, revenue estimation and analysis of legislation and state and local tax topics for which a report is required by law, executive or legislative request.
- This area develops and implements tax policy for the benefit of TAX customers, employees and stakeholders.
- This area implements tax legislation by promulgating regulations and issuing rulings, tax bulletins and other public documents addressing issues of first impression.
- This area also monitors developments in Congress and other states that may affect Virginia tax revenue.
- The analysis included in its work product provides explanations, revenue data, and other information to ensure that the reader understands the tax and budget issues involved in the subject of each document, and is provided with the data and alternatives necessary to make an informed decision.

### Service Area Alignment to Mission

- Providing legislators, lobbyists, and others involved in the legislative process with the information necessary to make an informed decision increases the likelihood that the tax laws of the Commonwealth will be consistent with other tax laws, consistent with recognized principles of sound tax policy, financially sound, and capable of efficient and equitable administration.
- The interpretations of enacted legislation enhance taxpayer compliance and the efficient and equitable administration of the Commonwealth's tax laws.

### Service Area Statutory Authority

Executive Order No. 10 (1978) and Administration and Finance Directive No. 8 (1978) direct the Secretary of Administration and Finance to issue procedures to analyze legislation beginning with the 1979 Session of the General Assembly.

§ 58.1-202 requires the Tax Commissioner to supervise the administration of the tax laws of the Commonwealth and recommend to the Governor and the General Assembly measures to promote uniform assessments, just rates and harmony and cooperation among all officials connected with the revenue system of the Commonwealth.

§ 58.1-203 authorizes the Tax Commissioner to issue regulations and rulings.

§ 58.1-204 directs the Tax Commissioner to publish regulations, rulings and other interpretations of Virginia law of interest to taxpayers and practitioners.

§ 58.1-210 requires TAX to annually publish local tax rates.

§ 58.1-3701 requires TAX to promulgate guidelines for the use of local governments in administering the Business, Professional and Occupational License (BPOL) tax.

### Service Area Customer Base

Customer(s)	Served	Potential
Agency Management and Employees	1,000	1,100
Federal/State/Local Governments	216	216
General Assembly	140	140
Governor's Office	1	1
Taxpayers of the Commonwealth	3,500,000	4,000,000

# Service Area Plan

## Department of Taxation

### Tax Policy Research and Analysis (71507)

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#### Anticipated Changes In Service Area Customer Base

Tax policy documents affect virtually all adult citizens of Virginia and most businesses and nonprofit organizations. Thus, population growth and business expansions will increase the customer base. The interest of citizens, lobbyists, legislators and government officials in TAX's work product varies depending on which legislators have introduced tax-related bills, and the amount of publicity and controversy generated by the legislation.

#### Service Area Products and Services

- Write reports to the Governor and General Assembly
- Drafting of other Documents (Tax Bulletins, Regulations, Rulings, Annual Report, Annual Survey of Local Tax Rates)
- Generate fiscal Impact Statement on pending legislation
- Annual Reporting on the fiscal, economic, and policy impacts of all miscellaneous and nonprofit retail sales and use tax exemptions

#### Factors Impacting Service Area Products and Services

The quantity and complexity of tax legislation, and the size and complexity of business transactions for which due diligence requires advance definitive tax guidance.

#### Anticipated Changes To Service Area Products and Services

The types of documents are expected to continue without substantial change. The volume of documents depends on the quantity and complexity of tax legislation and business transactions. Taxpayers and tax practitioners are expected to request more guidance as the complexity and monetary risks of business transactions increase.

#### Service Area Human Resources Summary:

##### Service Area Human Resources Overview

##### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level .....

Vacant Positions .....

Non-Classified (Filled).....

Full-Time Classified (Filled) .....

Part-Time Classified (Filled) .....

Faculty (Filled) .....

Wage .....

Contract Employees .....

Total Human Resource Level .....

##### Factors Impacting Service Area Human Resources

##### Anticipated Changes in Service Area Human Resources

# Service Area Plan

## Department of Taxation

### Tax Policy Research and Analysis (71507)

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#### **Service Area Financial Summar**

This budget includes money for a new initiative required by Va. Code § 58.1-609.12 that the Department of Taxation prepare an annual report on the fiscal, economic and policy impacts of all miscellaneous and nonprofit retail sales and use tax exemptions. This additional funding would allow the Department of Taxation to hire one additional Tax Policy Analyst and one additional Economist to conduct an in-depth analysis of the fiscal, economic and policy impacts of all of the miscellaneous and nonprofit retail sales and use tax exemptions annually and to prepare a report of such by December 1 of each year.

	<b><u>Fiscal Year 2007</u></b>		<b><u>Fiscal Year 2008</u></b>	
	<b>General Fund</b>	<b>Nongeneral Fund</b>	<b>General Fund</b>	<b>Nongeneral Fund</b>
<b>Base Budget</b>	\$1,153,250	\$0	\$1,153,250	\$0
<b>Changes To Base</b>	\$182,353	\$0	\$180,483	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$1,335,603</b>	<b>\$0</b>	<b>\$1,333,733</b>	<b>\$0</b>

# Service Area Plan

## Department of Taxation

### Tax Policy Research and Analysis (71507)

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## Service Area Objectives, Measures, and Strategies

### Objective 71507.01

***Provide a fiscal impact statement before state and local tax legislation is considered by the Legislative Branch.***

Accurate, thorough and timely fiscal impact statements are expected by the General Assembly finance committees and provide critical information on the fiscal, administrative and policy impacts of proposed legislation. The impact statements also ensure that the legislation is drafted accurately.

#### **This Objective Supports the Following Agency Goals:**

- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally  
( Adequate and predictable revenue resources are essential to enable the Commonwealth to meet the needs of its citizens. The fiscal impact statements enable legislators to evaluate the efficiency, effectiveness and revenue implications of a legislative proposal and its impact on their policy objectives.  
This objective aligns with the long-term objective of the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 71507.01.01**

***Percentage of fiscal impact statements provided to the House or Senate Finance Committee before cons***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Not Available-TAX has provided timely fiscal impact statements in the past, although timeliness has not been specifically tracked.

**Measure Target:** 100% timely submissions during the session.

**Measure Source and Calculation:**

The fiscal impact statements provided to the Committees, and the date that the full Committee acts on a bill are published on the General Assembly's bill tracking website. The date that a subcommittee hears a bill will be tracked by Section personnel who attend the meetings.

#### **Objective 71507.01 Has the Following Strategies:**

- Ensure that adequate staffing is maintained throughout the legislative session.
- Require overtime of TAX personnel during the legislative session.
- Ensure that other departments within TAX provide necessary data in a timely manner.
- Ensure that electronic systems are available to facilitate the development and review of fiscal impact statements.

### Objective 71507.02

***Develop regulations required to explain more fully complex tax statutes.***

The Code of Virginia prohibits courts from giving great weight to administrative tax policies that are not promulgated as regulations. Unlike most regulatory processes, taxpayers and interest groups frequently request TAX to develop regulations explaining the operation of typically complex tax law because comprehensive regulations enable them to predict more accurately the tax consequences of transactions. The regulations also provide the base for ensuring compliance with the tax statutes.

# Service Area Plan

## Department of Taxation

### Tax Policy Research and Analysis (71507)

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#### **This Objective Supports the Following Agency Goals:**

- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally

( In 1980 the General Assembly mandated the publication of TAX's policies, and further provided that after 1984 courts were not to give great weight to any administrative tax policy that was not promulgated as a regulation. See §§ 58.1-203, 58.1-204 & 58.1-205 of the Code of Virginia. The legislation was recommended by the Virginia State Bar to address concerns that taxpayers had been unable to find out what TAX's administrative policies were until after a transaction had occurred, usually when the taxation of the transaction was disputed in audit or litigation. Unlike environmental, health and safety regulations, where agencies have been delegated authority to impose requirements on the public, tax regulations merely explain and interpret statutory provisions of the tax law. The General Assembly rarely delegates authority to set state tax rates, grant exemptions, or other legislative authority relating to state taxation. Even simple laws become ambiguous when applied to complex transactions or new forms of business never contemplated by the legislature. Having enforceable regulations ensures that all taxpayers, tax administrators and courts will consistently apply the tax law. The participation in the regulatory process required by the Administrative Process Act ensures that those affected by a regulation will have an opportunity to influence its content. Public comment often allows TAX to avoid unintended and inequitable consequences of proposed policies. This objective aligns with the long-term objective of the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 71507.02.01**

*The percentage of regulations that have been reviewed within 12 months.*

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Not Available-TAX has approximately 700 regulations in effect. Most were adopted in 1984 and many have not been substantively changed since (except for recodification into the Administrative Code).

**Measure Target:** By June 30, 2006, 100% of the regulations currently in effect determined to be obsolete or unnecessary will be repealed.

**Measure Source and Calculation:**

- The Department will annually review its regulations and classify them as:
  - Current, no regulatory action needed.
  - Not current, amendment or repeal needed.
  - Not current, amendment or repeal in process.
- The Department will review legislation enacted in the 2003 through 2006 sessions for legislative mandates to promulgate specific regulations.

#### **Objective 71507.02 Has the Following Strategies:**

- Prioritize regulations in need of amendment by the number of taxpayers affected, amount of revenue affected, or other criteria to ensure that the Section's resources are most effectively utilized.
- Ensure that adequate staffing is maintained.
- Ensure that adequate funding is available for advertising, publications, hearings, transcripts, and other steps required by statute, executive order, or the Department's Public Participation Guidelines in connection with regulatory action.
- Group regulatory actions to achieve economies of scale, while balancing the workload over the course of each year.
- Utilize electronic systems and distribution to reduce costs and increase efficiency for various steps of the regulation promulgation process.



# Service Area Plan

## Department of Taxation

### Tax Policy Research and Analysis (71507)

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#### **Objective 71507.03**

##### ***Provide ongoing support to legislative studies.***

Both the legislative and executive branches make year-round requests for revenue and policy analysis of tax proposals and federal legislation and requests for technical assistance in evaluating tax related issues. Monitoring national tax issues ensures that Virginia is aware of issues that may affect revenues or tax policy.

##### **This Objective Supports the Following Agency Goals:**

- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally

( Adequate and predictable revenue resources are essential to enable the Commonwealth to meet the needs of its citizens. The Commonwealth's budget process can be negatively affected by major unanticipated changes in revenue due to factors that cannot be forecasted, e.g., Congressional legislation or court cases. Tracking developments in Congress and the courts helps to identify the potential for such changes and develop strategies to address them.

Issues that arise in other states will probably arise in Virginia at some point in time. Tracking developments in other states ensures that Virginia will be prepared to address such issues when they eventually arise in Virginia. Depending on the issue, preparation may require the development of legislation, regulation, or audit techniques.

As executive and legislative branch personnel consider tax proposals and issues, accurate and timely policy and fiscal analysis enable such personnel to evaluate the efficiency, effectiveness and revenue implications and the potential impact on their policy objectives. This objective aligns with the long-term objective of the best-managed state in the nation.)

##### **This Objective Has The Following Measure(s):**

- **Measure 71507.03.01**

***Percentage of requests for policy and fiscal analyses for which a response was provided.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Not Available-The Section currently responds to all requests for policy and fiscal analysis received from legislative and executive branch personnel, but does not formally track them.

**Measure Target:** Respond to 100% of the requests.

**Measure Source and Calculation:**

Each request for policy and fiscal analysis from legislative and executive branch personnel and the section's response will be tracked.

##### **Objective 71507.03 Has the Following Strategies:**

- Ensure that adequate staffing is maintained.
- Utilize electronic research services to follow issues in Congress and the legislatures and courts of other states.

# Service Area Plan

## Department of Taxation

### Appeals and Rulings (71508)

## Service Area Background Information

### Service Area Description

The Appeals and Rulings unit performs the dispute resolution function for TAX by resolving administrative appeals and offers in compromise that primarily arise through field audits or desk examinations of taxpayer records. This service area also provides staff support to the Tax Commissioner in the development of new policy and the Attorney General's Office in suits brought against TAX.

### Service Area Alignment to Mission

The Appeals and Rulings unit's mission is to resolve appeals, ruling requests, offers in compromise and other taxpayer issues with integrity and impartiality through the efficient and consistent application of established tax laws, regulations, and policies.

### Service Area Statutory Authority

§ 58.1-1821 of the Code of Virginia provides that any taxpayer assessed with any tax administered by TAX may apply for relief to the Tax Commissioner within ninety days of an assessment. The Appeals and Rulings unit is responsible for gathering information related to the appeal, researching and analyzing the issues presented, and drafting a response to the appeal for the Tax Commissioner's signature pursuant to Va. Code § 58.1-1822.

§ 58.1-105 of the Code of Virginia grants to the Tax Commissioner the authority to accept an offer in compromise if the assessment is of doubtful liability or collectibility, and to waive penalty for reasonable cause. The Appeals and Rulings unit resolves offers in compromise with regard to audit assessments.

§§ 58.1-203 and 58.1-204 of the Code of Virginia authorize the Tax Commissioner to issue and publish rulings relating to the interpretation and enforcement of Virginia law governing taxes administered by TAX.

§ 58.1-3703.1 of the Code of Virginia permits any taxpayer assessed with the Business, Professional and Occupational License (BPOL) tax by a locality to appeal a local tax official's final determination to the Tax Commissioner. In addition, the Tax Commissioner is authorized to issue advisory opinions on BPOL tax issues to taxpayers and local tax officials.

§ 58.1-3983.1 of the Code of Virginia allows any taxpayer assessed with a local business tax (machinery and tools tax, business tangible personal property tax, local mobile property tax, merchant's capital tax, and consumer utility tax) to appeal such assessment to the Tax Commissioner. In addition, the Tax Commissioner is authorized to issue advisory opinions on local business tax issues to taxpayers and local tax officials.

### Service Area Customer Base

Customer(s)	Served	Potential
Agency Management and Employees	1,000	1,100
Attorney General's Office	1	1
Federal/State/Local Governments	216	216
Taxpayers of the Commonwealth	3,500,000	4,000,000

### Anticipated Changes In Service Area Customer Base

None.

# Service Area Plan

## Department of Taxation

### Appeals and Rulings (71508)

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#### **Service Area Products and Services**

- Rulings on factual scenarios based on established policy.
- Technical assistance to taxpayers, TAX employees, and other agencies.
- Settlements of disputed liabilities through offers in compromise.
- Advisory opinions on factual scenarios for BPOL and local business taxes.
- Responses to requests for change in corporation filing status.
- Determination letters for the Tax Commissioner's signature for 1821 appeals.

#### **Factors Impacting Service Area Products and Services**

Number and quality of assessments issued

Federal and state law changes

Regulation and policy changes

Court decisions

Changes in the manner in which companies conduct business

#### **Anticipated Changes To Service Area Products and Services**

None.

#### **Service Area Human Resources Summary:**

##### **Service Area Human Resources Overview**

##### **Service Area Full-Time Equivalent (FTE) Position Summary**

Effective Date:

Total Authorized Position level .....

Vacant Positions .....

Non-Classified (Filled).....

Full-Time Classified (Filled) .....

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level .....

##### **Factors Impacting Service Area Human Resources**

##### **Anticipated Changes in Service Area Human Resources**

#### **Service Area Financial Summary:**

	<b><u>Fiscal Year 2007</u></b>		<b><u>Fiscal Year 2008</u></b>	
	<b>General Fund</b>	<b>Nongeneral Fund</b>	<b>General Fund</b>	<b>Nongeneral Fund</b>
<b>Base Budget</b>	\$929,257	\$0	\$929,257	\$0
<b>Changes To Base</b>	\$44,953	\$0	\$44,953	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$974,210</b>	<b>\$0</b>	<b>\$974,210</b>	<b>\$0</b>

# Service Area Plan

## Department of Taxation

### Appeals and Rulings (71508)

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## Service Area Objectives, Measures, and Strategies

### Objective 71508.01

#### ***Accurately and timely issue rulings on appeals of local taxes and advisory opinions.***

TAX is charged with considering appeals of local business taxes and issuing advisory opinions. These appeals and advisory opinions are of interest to taxpayers and local officials, both of whom benefit from the guidance provided by TAX's determinations. Timely resolving local tax issues aids taxpayers in complying with local ordinances and local governments with tax administration.

#### **This Objective Supports the Following Agency Goals:**

- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally  
(TAX is required by statute to respond to taxpayers that file appeals or requests for advisory opinions of certain local taxes. Adhering to this mandate aligns with the long-term objective of engaging and informing citizens to ensure we serve their interests.)

#### **This Objective Has The Following Measure(s):**

- **Measure 71508.01.01**

***The percentage of open local tax cases less than 120 days old.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** As of June 1, 2005, 65% (13 out of 20) of all active local tax cases were less than 120 days old.

**Measure Target:** 75% of local tax cases less the 120 days old.

**Measure Source and Calculation:**

The source of the information will be the correspondence tracking system (currently DT 2000). The calculation would be the number of active local tax cases less than 120 days old divided by the total number of active local tax cases.

#### **Objective 71508.01 Has the Following Strategies:**

- Strive to provide the most up to date and comprehensive research tools.  
Improve knowledge and skills of analysts through continuing professional education and training.  
Provide guidance to Department personnel and local officials.  
Provide public education by participating in local tax official's training programs, issuing public documents and maintaining the Tax Policy Library on TAX's website.

### Objective 71508.02

#### ***Accurately and timely resolve appeals of state tax issues, issue rulings, and provide support to the Office of the Attorney General on tax litigation.***

Ensuring compliance with the tax laws, and safeguarding the associated revenues requires that audits that are appealed be resolved accurately and timely, that tax litigation is handled accurately and effectively and that taxpayer requests for rulings are answered in an accurate and timely manner.

#### **This Objective Supports the Following Agency Goals:**

# Service Area Plan

## Department of Taxation

### Appeals and Rulings (71508)

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- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally

( The Department is required by statute to respond to taxpayers that file appeals pursuant to Va. Code § 58.1-1821. Adhering to this mandate aligns with the long-term objective of engaging and informing citizens to ensure we serve their interests.)

#### **This Objective Has The Following Measure(s):**

- **Measure 71508.02.01**

***The percentage of open individual income tax appeals less than 120 days old.***

**Measure Type:** Outcome

**Measure Frequency:** Annually

**Measure Baseline:** As of June 1, 2005, 52% (16 out of 31) of all individual income tax cases were less than 120 days old. As of June 1, 2005, 44% (72 out of 164) of all sales tax cases were less than 120 days old.

**Measure Target:** 75% of appeals less the 120 days old.

**Measure Source and Calculation:**

The source of the information will be the correspondence tracking system (currently DT 2000). The calculation would be the number of active income tax appeals less than 120 days old divided by the total number of active income tax appeals.

#### **Objective 71508.02 Has the Following Strategies:**

- Strive to provide the most up to date and comprehensive research tools.  
Improve knowledge and skills of analysts through continuing professional education and training.  
Provide internal guidance to Customer Service and Compliance personnel.  
Provide public education by issuing public documents and maintaining the Tax Policy Library on TAX's website.

# Service Area Plan

## Department of Taxation

### Revenue Forecasting (71509)

## Service Area Background Information

### Service Area Description

Revenue Forecasting is responsible for preparation of the forecast of the Virginia Economy and General Fund revenue estimates; responsible for preparing a six-year forecast of the Commonwealth's transportation revenues; estimates the reimbursements to localities under the Personal Property Tax Relief Act; and responsible for providing a six-year forecast of the Department of Motor Vehicle's (DMV) operating revenues.

### Service Area Alignment to Mission

Revenue Forecasting is responsible for preparation of the forecast of the Virginia Economy and General Fund revenue estimates; responsible for preparing a 6-year forecast of the Commonwealth's transportation revenues; estimates the reimbursements to localities under the Personal Property Tax Relief Act; and responsible for providing a 6-year forecast of the DMV's operating revenues.

### Service Area Statutory Authority

2005 Appropriation's Act, Item #285 - Planning, Budgeting and Evaluation Services/Research, Evaluation and Policy Services

### Service Area Customer Base

Customer(s)	Served	Potential
General Assembly	140	140
Governor's Office	1	1
Taxpayers of the Commonwealth	3,500,000	4,000,000

### **Anticipated Changes In Service Area Customer Base**

None.

### Service Area Products and Services

- Products:  
Economic Outlook notebook for the Governor's Advisory Board of Economists  
Economic and Revenue Outlook notebook for the Governor's Advisory Council on Revenue Estimates
- Services:  
Prepare speeches and presentations for the Governor's office  
Prepare monthly revenue report for the Governor's office

### **Factors Impacting Service Area Products and Services**

Economy

### **Anticipated Changes To Service Area Products and Services**

None.

### Service Area Human Resources Summary:

#### **Service Area Human Resources Overview**

# Service Area Plan

## Department of Taxation

### Revenue Forecasting (71509)

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#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

This funding supports the development and tracking of the Virginia economic forecast, general fund and transportation fund revenues, the Division of Motor Vehicle operating fund revenues, and the forecast of the reimbursement appropriation of the Personal Property Tax Relief Act (Item 503, Chapter 951, 2005 Acts of the Assembly).

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$650,841	\$0	\$650,841	\$0
<b>Changes To Base</b>	\$44,953	\$0	\$44,953	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$695,794</b>	<b>\$0</b>	<b>\$695,794</b>	<b>\$0</b>

# Service Area Plan

## Department of Taxation

### Revenue Forecasting (71509)

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## Service Area Objectives, Measures, and Strategies

### Objective 71509.01

#### ***Accurately forecast general fund revenue.***

The purpose is to allow the legislative and executive branches a high degree of certainty when preparing current and future budgets.

#### **This Objective Supports the Following Agency Goals:**

- Provide Accurate and Timely Analyses of Tax Related Issues, Effectively Resolve Complex Technical Issues, and Monitor Tax Issues Nationally  
( This objective clearly aligns with the Commonwealth's long-term objective to be the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 71509.01.01**

##### ***Percentage variance on the forecast.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Official forecast, FY05- 4.1%, FY04 – 2.8%, FY03 – 0.6%, FY02 - -2.2%, FY01 - -0.7%, FY00 – 0.1%

**Measure Target:** The official forecast is within 2 percent of actual collections.

**Measure Source and Calculation:**

Use DOA's June monthly revenue report. Divide the actual collections by the forecast to get an error percent.

#### **Objective 71509.01 Has the Following Strategies:**

- Use econometric models based on sound principles of economics and mathematics
- Utilize solid staff judgment based on many years of experience.
- TAX will provide accurate forecasts of the economic activity of the Commonwealth



# Service Area Plan

## Department of Taxation

### Tobacco Master Settlement Agreement Enforcement (73209)

## Service Area Background Information

### Service Area Description

Note: This program is being transferred to the OAG (reference introduced Budget Bill-SB/HB 30, Item 48 B. 1-2). Provides support to the Office of the Attorney General (OAG) for oversight responsibilities under the Master Tobacco Settlement Agreement (MSA) and the Non-Participating Manufacturer (NPM) statute. Also supports the OAG in the diligent enforcement of the NPM statute.

### Service Area Alignment to Mission

Provide assistance and support to the OAG to protect approximately \$160 million annually in MSA payments by ensuring diligent enforcement of NPM statute.

### Service Area Statutory Authority

§ 3.1-336 et.seq. Code of Virginia (Virginia NPM Statutes)

§ 58.1-1000 et.seq. Code of Virginia (Virginia Cigarette Tax Statutes)

### Service Area Customer Base

Customer(s)	Served	Potential
Attorney General's Office	1	1
Cigarette Stamping Agents	150	200

### Anticipated Changes In Service Area Customer Base

There are approximately 150 cigarette stamping agents registered in Virginia. That number fluctuates as new registrations are received, and existing registrations are turned in, suspended or revoked.

### Service Area Partners

Office of the Attorney General

### Service Area Products and Services

- Perform desk reviews of cigarette data to document and verify stamping agent information.
- Provide NPM sales data to OAG on an annual basis to be used in diligent enforcement efforts.
- Compile cigarette stamp usage data from monthly tax returns filed by cigarette stamping agents.

### Factors Impacting Service Area Products and Services

Legislative changes and constant administrative changes in MSA and NPM requirements driven by continuing litigation in the tobacco industry.

### Anticipated Changes To Service Area Products and Services

Anticipate increasing need for oversight and verification of NPM data as Participating Manufacturers become more aggressive in their legal challenges to the annual MSA payments.

### Service Area Human Resources Summary:

#### Service Area Human Resources Overview

# Service Area Plan

## Department of Taxation

### Tobacco Master Settlement Agreement Enforcement (73209)

#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0  
Vacant Positions ..... 0  
    Non-Classified (Filled)..... 0  
    Full-Time Classified (Filled) ..... 0  
    Part-Time Classified (Filled) ..... 0  
    Faculty (Filled) ..... 0  
Wage ..... 0  
Contract Employees ..... 0  
Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

Section 3.1-336.1 of the Code of Virginia requires tobacco manufacturers that did not participate in the MSA [Master Settlement Agreement] between the States and tobacco companies to place in escrow amounts based on sales of cigarette sticks. The MSA requires all states to “diligently enforce” the model statute [found at Section 3.1-336.1 et. seq.] or be subject to the loss of some or all MSA revenue. Virginia is slated to get approximately \$4 billion over the next 25 years from the MSA. The Department of Taxation was granted funding (beginning in January 2002) for four new positions to support the Attorney General’s Office’s efforts to diligently enforce the model statute, to track manufacturers sales as reported by all stamping agents [wholesalers] permitted in Virginia, audit records, pursue leads for potential legal action and provide timely and reliable data on cigarette stamping activity to the Attorney General’s Office which would pursue appropriate legal action as necessary. The Department of Taxation believes and the Department of Law concurs that it would be more efficient and effective if the Department of Law were to assume complete control of the MSA enforcement, including the receipt and tracking of stamping agent reports. Thus the Department is requesting this reorganization. The Department of Law is also expected to request this same reorganization. Governor Kaine has provided an executive amendment to transfer \$19,078 to OAG.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$309,078	\$0	\$309,078	\$0
Changes To Base	(\$290,000)	\$0	(\$290,000)	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$19,078</b>	<b>\$0</b>	<b>\$19,078</b>	<b>\$0</b>

# Service Area Plan

## Department of Taxation

### Tobacco Master Settlement Agreement Enforcement (73209)

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## Service Area Objectives, Measures, and Strategies

### Objective 73209.01

#### ***Support the Office of the Attorney General in the enforcement of the Tobacco Master Settlement Agreement.***

In order to demonstrate diligent enforcement, the OAG must review annual NPM stamping activity in Virginia so they can ensure appropriate escrow payments have been made by the NPMs. If not, the OAG must file an action against the NPMs in order to bring them into compliance. The Tobacco Unit compiles this information for the OAG, and also engages in desk audits to verify source information provided by cigarette stamping agents. Unit also conducts field audits and site visits as requested by OAG.

#### **This Objective Supports the Following Agency Goals:**

- Ensure That Virginia Citizens and Businesses Understand and Comply with Virginia Tax Obligations as Prescribed by Law  
(The function aligns to the long-term objective of preservation and enhancement of our economy.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73209.01.01**

***Percentage of total number of complete NPM reports provided versus total number of NPM reports.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 100% of complete NPM reports.

**Measure Target:** Maintain current baseline.

**Measure Source and Calculation:**

Reports filed by stamping agents are reviewed monthly and quarterly. NPM Report is prepared, reviewed and delivered to the OAG Annually. Retrieve sales data from monthly Form TT-13s and TT-14s filed by cigarette stamping agents. Each agent should be filing at least 12 monthly reports each calendar year.

#### **Objective 73209.01 Has the Following Strategies:**

- Prepare preliminary NPM reports for each of the 3 quarters leading up to the Annual Report.
- Perform site visits of stamping agents as requested by the OAG.
- Continue program of proactive review and follow-up of monthly stamping agent reports.

# Service Area Plan

## Department of Taxation

### Tax Return Processing (73214)

## Service Area Background Information

### Service Area Description

Tax Return Processing (Channel) processes state tax returns and payments to include opening and screening return and payment mail, capturing tax return and payment data to post to taxpayer accounts, and resolving errors made in the preparation of returns and payments. Besides processing this area also designs the tax forms for returns. In addition, this service area provides individual electronic filing and promotes the use of available electronic services in the administration of state taxes.

### Service Area Alignment to Mission

Tax Return Processing contributes directly to supporting the Agency's mission of serving the public by administering the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency. Service provided by TAX and other state agencies rely on the timely collection and deposit of state funds, a primary responsibility of the Tax Return Processing service area.

### Service Area Statutory Authority

§ 58.1 of the Code of Virginia requires TAX to administer the tax laws of Virginia and Item 284, Chapter 951 of the 2005 Virginia Acts of Assembly provides funding for the Tax Return and Payment Processing service area.

### Service Area Customer Base

Customer(s)	Served	Potential
Localities	134	134
State Agencies	124	124
Taxpayers of the Commonwealth	3,500,000	4,000,000

### Anticipated Changes In Service Area Customer Base

Each year, the individual taxpayer base expands by 1.5% to 2% adding between 50,000 and 75,000 new individual taxpayers to the customer base. The customer base of business taxpayers expands and contracts continually as new businesses open and others close. Over the past two years the number of businesses with tax liabilities in Virginia has increased between 2% and 3%. This is likely a good indicator in good economic times, but the number would likely be lower in more difficult economic times.

### Service Area Products and Services

- Tax Return Processing, Data Capture and Error Resolution
- Refund Issuance
- Electronic Filing and Payment Services
- Forms Development
- Mail Pickup and Delivery for entire agency
- Tax Payment Processing

# Service Area Plan

## Department of Taxation

### Tax Return Processing (73214)

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#### Factors Impacting Service Area Products and Services

Seasonal factors impact services delivered by this service area. Over 90% of individual income tax returns processed between early February and early June, this area requires an annual recruitment process to ensure staff is in place to deal with peak return and payment volumes. Economic factors impact the quantity and quality of available staff. Leveraging technology to process tax returns and payments provides opportunities for efficiencies and service improvements.

#### Anticipated Changes To Service Area Products and Services

TAX anticipates a greater reliance on electronic filing and technological advances to gain efficiencies and serve our increasing volume of customers.

#### Service Area Human Resources Summary:

##### Service Area Human Resources Overview

##### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

State general funds are provided for the Tax Return and Payment Processing service area. This covers the cost of printing, postage, staff (fulltime, part-time and seasonal), equipment maintenance and consumable supplies required to support production operations.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$11,147,020	\$0	\$11,147,020	\$0
<b>Changes To Base</b>	\$387,366	\$0	\$387,366	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$11,534,386</b>	<b>\$0</b>	<b>\$11,534,386</b>	<b>\$0</b>

**Service Area Plan**  
**Department of Taxation**  
**Tax Return Processing (73214)**

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**Service Area Objectives, Measures, and Strategies**

**Objective 73214.02**

***Issue individual income tax refunds within 12 days of receipt of the return.***

Most taxpayers have only one contact with TAX each year when they file their individual income tax return. Almost 80% of individual income tax returns request a refund of taxes withheld during the taxable year. Timely issuance of refunds is a top priority of TAX as it helps establish a positive public perception of the Department.

**This Objective Supports the Following Agency Goals:**

- Ensure Customer Satisfaction  
(Timely issuance of refunds is a “best practice” embraced by TAX to ensure appropriate service levels are maintained. This objective aligns with the long-term objective of engaging citizens to ensure we serve their interests.)

**This Objective Has The Following Measure(s):**

- **Measure 73214.02.00**

***Timeframes are measured from receipt of return to refund issuance.***

**Measure Type:** Outcome      **Measure Frequency:** Monthly

**Measure Baseline:** Through both June 3, 2005 and June 30 2004, 96% of refunds were issued in twelve days or fewer.

**Measure Target:** Issue at least 90% of refunds within 12 days.

**Measure Source and Calculation:**

Refund turnaround timeframes are measured by system reports generated weekly that compare the day of receipt to the payment date and calculate the percentage paid within 12 days of receipt.

**Objective 73214.02 Has the Following Strategies:**

- Strategies employed to accomplish these objectives range from appropriate staffing in peak periods, to ensuring processes are measured, to promoting electronic filing growth by any means possible – partnering with the software industry and the Internal Revenue Service for electronic filing, promoting electronic filing and payments in appropriate forums and literature, and establishing requirements for electronic filing and payment when appropriate.

**Objective 73214.03**

***Increase electronic interactions with citizens.***

Improving taxpayer access TAX offers significant benefits to taxpayers and TAX. Through Virginia Tax On-line (VTOL), taxpayers can access their accounts 24 hours a day, seven days a week, and file returns, make payments, view and update their accounts, obtain tax ruling information, etc. Electronic filing and paying through channels other than VTOL allows TAX to quickly process returns that are less likely to contain errors, accelerate the issuance of tax refunds and reduce the mishandling of tax payments.

**This Objective Supports the Following Agency Goals:**

- Ensure Customer Satisfaction  
(This objective aligns with the long-term objective of engaging citizens to ensure we serve their interests.)

# Service Area Plan

## Department of Taxation

### Tax Return Processing (73214)

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#### **This Objective Has The Following Measure(s):**

- **Measure 73214.03.01**

*Increase the joint federal-state electronic filing program participation annually.*

**Measure Type:** Outcome

**Measure Frequency:** Annually

**Measure Baseline:** Through June of 2005 returns had grown 18% over June of 2004.

**Measure Target:** 5% growth

**Measure Source and Calculation:**

System generated reports are used to calculate these metrics.

- **Measure 73214.03.02**

*Increase taxpayer interactions through TAX's new electronic channels.*

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** No current baseline

**Measure Target:** 5% growth

**Measure Source and Calculation:**

System generated reports are used to calculate these metrics.

#### **Objective 73214.03 Has the Following Strategies:**

- Strategies employed to accomplish these objectives range from appropriate staffing in peak periods, to ensuring processes are measured, to promoting electronic filing growth by any means possible – partnering with the software industry and the Internal Revenue Service for electronic filing, promoting electronic filing and payments in appropriate forums and literature, and establishing requirements for electronic filing and payment when appropriate.

# Service Area Plan

## Department of Taxation

### Customer Services (73217)

## Service Area Background Information

### Service Area Description

Customer Services provides guidance information to the taxpayers of Virginia through the Customer Service Contact Center. The office, composed of more than 120 employees, provides assistance via the telephone, correspondence, the Internet, and in person. In calendar year 2004 the office handled:

- 605,253 Phone calls
- 146,328 Pieces of correspondence
- 48,040 E-mails
- 12,595 Secure Messages

### Service Area Alignment to Mission

The Customer Services provides the citizens of the Commonwealth of Virginia with a way to contact TAX in regards to any and all matters concerning the agencies activities. Customer Service ensures that the integrity, efficiency, and consistency of TAX's work are conveyed to the taxpayers of Virginia.

### Service Area Statutory Authority

§58.1-202 of the Code of Virginia, General powers and duties of Tax Commissioner

### Service Area Customer Base

Customer(s)	Served	Potential
General Assembly	140	140
Localities	134	134
Taxpayers of the Commonwealth	3,500,000	4,000,000

### Anticipated Changes In Service Area Customer Base

Each year, the individual taxpayer base expands by 1.5% to 2% adding between 50,000 and 75,000 new individual taxpayers to the customer base. The customer base of business taxpayers expands and contracts continually as new businesses open and others close. Over the past two years the number of businesses with tax liabilities in Virginia has increased between 2% and 3%. This is likely a good indicator in good economic times, but the number would likely be lower in more difficult economic times.

### Service Area Products and Services

- Answer incoming correspondence, both paper and fax, from taxpayers
- Answer incoming e-mail and secure messages from taxpayers
- Assist walk-in taxpayers at public offices
- Issue Refunds
- Issue assessments
- Make online adjustments
- Issue Direct Deposit corrections
- Grant Abatements
- Monitor Tax Credit Usage
- Answer incoming telephone calls from taxpayers



# Service Area Plan

## Department of Taxation

### Customer Services (73217)

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#### Factors Impacting Service Area Products and Services

- Changing population numbers and demographic levels
- Customer service needs increase with tax activity, whether associated with compliance activities, refund/return filing, or error resolution activity.
- Changes in tax laws

#### Anticipated Changes To Service Area Products and Services

The implementation of Advantage Revenue (AR) and other electronic resources will provide more services to taxpayers at a single point of contact.

#### Service Area Human Resources Summary:

##### Service Area Human Resources Overview

##### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

As part of the Department of Taxation, the Customer Service Contact Center is funded to handle the activities listed above.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$8,275,161	\$0	\$8,275,161	\$0
Changes To Base	\$977,120	\$0	\$987,881	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$9,252,281</b>	<b>\$0</b>	<b>\$9,263,042</b>	<b>\$0</b>

# Service Area Plan

## Department of Taxation

### Customer Services (73217)

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## Service Area Objectives, Measures, and Strategies

### Objective 73217.01

#### ***Respond to taxpayer inquiries in a timely manner.***

Ongoing outbound compliance, return processing, and annual return filing all generate inbound contacts for TAX. The Customer Service Contact Center must handle these inbound inquiries in a timely manner and setting clear objectives for the two most common avenues of contact illustrates the importance of our duties.

#### **This Objective Supports the Following Agency Goals:**

- Ensure Customer Satisfaction

( The Customer Service Contact Center strives to provide quality customer service to the taxpayers of Virginia. TAX requires that 80% of all incoming phone calls be answered in a timely manner and that written correspondence with the department must be answered within 30 days. The objective to maintain these measures of accountability will directly impact the overall objective of the department, providing quality customer service to the citizens of the commonwealth. This objective falls in line with Virginia's long-term objective to engage and inform citizens to ensure we serve their interests and to be recognized as the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73217.01.01**

##### ***Percentage of calls handled versus total calls offered.***

**Measure Type:** Outcome      **Measure Frequency:** Quarterly

**Measure Baseline:** Service level is 80%

**Measure Target:** Handle 80% of incoming phone calls

**Measure Source and Calculation:**

Phones: Service level = Calls Offered / Calls Handled

- **Measure 73217.01.02**

##### ***Average mail turnaround time.***

**Measure Type:** Outcome      **Measure Frequency:** Quarterly

**Measure Baseline:** 11 days - Correspondence at the end of any quarter in FY05 averaged no more than 11.3 days

**Measure Target:** Maintain average mail turnaround time at no more than 25 days at the end of each quarter.

**Measure Source and Calculation:**

Correspondence backlog at the end of the quarter divided by the number of pieces that can be handled in one day.

#### **Objective 73217.01 Has the Following Strategies:**

- Cross train staff in order to allocate personnel as needed using technology resources to meet workflow demands.

# Service Area Plan

## Department of Taxation

### Compliance Audit (73218)

## Service Area Background Information

### Service Area Description

Compliance Audit's program is designed to ensure compliance with the tax laws through automated and manual examination of taxpayer records and returns.

### Service Area Alignment to Mission

Compliance is vital to the Agency's mission. Both field and desk audit initiatives work to ensure that Virginia taxpayers are complying with the Commonwealth's tax laws and regulations correctly. This verification process is an important role in ensuring that the tax laws are applied consistently among a large number of diverse taxpayers. In addition, the presence of both the audit and collection efforts instills in both compliant taxpayers the incentive to fulfill their tax obligations to the Commonwealth. So not only do TAX's enforcement efforts generate compliance revenue, these efforts also have an indirect influence on voluntary revenue, greatly improving the Commonwealth's economic strength, allowing Virginia's government to improve its service to Virginia's taxpayers at the state and local levels.

### Service Area Statutory Authority

§ 58.1- 202 of the Code of Virginia sets out the responsibility of the Tax Commissioner to administer the tax laws of the Commonwealth. § 58.1 – 103 of the Code of Virginia provides all records and documents required by this subtitle or regulation shall be made available during regular business hours for inspection by the Tax Commissioner or his duly authorized agents.

### Service Area Customer Base

Customer(s)	Served	Potential
General Assembly	140	140
IRS/Professional Associations	31	31
State Agencies	124	124
Taxpayers of the Commonwealth	3,500,000	4,000,000

### **Anticipated Changes In Service Area Customer Base**

None.

### Service Area Products and Services

- auditing to ensure compliance
- assessing of outstanding taxes
- refunding overages

### **Factors Impacting Service Area Products and Services**

This service area heavily relies on TAX's computer system. Several of the staff are home-based. The staff is also expected to travel rather frequently.

### **Anticipated Changes To Service Area Products and Services**

None.

### Service Area Human Resources Summary:

#### **Service Area Human Resources Overview**

# Service Area Plan

## Department of Taxation

### Compliance Audit (73218)

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#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

At the request of the Administration, during the fall of FY06, the Department examined its desk audit programs. TAX requested and received 10 additional staff for the purpose of enhancing and expanding these desk audit programs through expanding data matching efforts.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$15,391,321	\$148,550	\$15,391,321	\$148,550
<b>Changes To Base</b>	\$1,367,973	\$0	\$1,352,638	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$16,759,294</b>	<b>\$148,550</b>	<b>\$16,743,959</b>	<b>\$148,550</b>

# Service Area Plan

## Department of Taxation

### Compliance Audit (73218)

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## Service Area Objectives, Measures, and Strategies

### Objective 73218.01

#### ***Maintain core audit programs at current levels.***

During FY 2006 TAX will be converting to a new revenue administration system, Advantage Revenue (AR), replacing its mainframe legacy system, STARS. This critical conversion will impact various other systems administered by TAX, causing a delay in the administration of TAX's audit programs. While this impact may cause audit cases to decrease during FY 2006, it is intended that TAX's audit functions will return to current production levels by the beginning of FY 2007.

#### **This Objective Supports the Following Agency Goals:**

- Ensure That Virginia Citizens and Businesses Understand and Comply with Virginia Tax Obligations as Prescribed by Law  
(TAX's core audit programs are critical to maintaining a high level of compliance revenue. By returning these initiatives to their current production levels expeditiously following conversion will increase state revenues, improving Virginia's economy. This objective falls in line with Virginia's long-term objective to be recognized as the best-managed state in the nation and preservation of our economy.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73218.01.01**

##### ***Number of field audit cases closed.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Three year average of field audit cases closed - 2,962.

**Measure Target:** Maintain or exceed the three year average.

##### **Measure Source and Calculation:**

In determining if our core audit programs have returned to full capacity, we will look to the field audit cases closed and desk audit cases created in years prior to FY 2006, the year of conversion. Because the number of cases closed or desk exams created does fluctuate based on filing patterns and the economy, we allow a 2% error factor in our projections. Regarding field audits, the focus will be on closed cases. For the three-year period ending FY 2005, the average number of closed field audit cases was 2,962. Similar to desk exams, the number of field audit cases closed in FY 2007, should not be less than 98% of the three-year average, or 2,903.

# Service Area Plan

## Department of Taxation

### Compliance Audit (73218)

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- **Measure 73218.01.02**

***Number of desk audit cases created.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Three year average of new desk audit cases created equals 262,306.

**Measure Target:** Maintain or exceed the three year average of desk audit cases created.

**Measure Source and Calculation:**

In determining if our core audit programs have returned to full capacity, we will look to the field audit cases closed and desk audit cases created in years prior to FY 2006, the year of conversion. Because the number of cases closed or desk exams created does fluctuate based on filing patterns and the economy, we allow a 2% error factor in our projections.

For TAX's core desk audit exams, the three-year average of the number of new cases created for FY 2003 through FY 2005, was 262,306. We would expect that the number of new cases created in FY 2007 would not be less than 98% of the three-year average, or 257,059. At the request of the Administration, during the fall of FY06, the Department examined its desk audit programs. TAX requested and received 10 additional staff for the purpose of enhancing and expanding these desk audit programs through expanding data matching efforts.

**Objective 73218.01 Has the Following Strategies:**

- TAX will convert to the new applications
- Complete staff training
- Monitor performance in a controlled environment by starting at lower volume levels and building to full capacity prior to year end

# Service Area Plan

## Department of Taxation

### Compliance Collections (73219)

## Service Area Background Information

### Service Area Description

Compliance collections is dedicated to the task of identifying and collecting delinquent state taxes from both individuals and businesses that fail to satisfy tax obligations imposed by statute.

### Service Area Alignment to Mission

The Virginia tax system relies on voluntary compliance by taxpayers. The continued participation in the revenue system by taxpayers requires that they have confidence that the tax obligations imposed on them are applied and enforced consistently on all similarly situated individuals and business. The integrity of a voluntary tax system cannot be maintained unless taxpayers generally understand that noncompliance will be addressed.

### Service Area Statutory Authority

§ 58.1- 202 of the Virginia Code sets out the responsibility of the Tax Commissioner to administer the tax laws of the commonwealth. § 58.1-1800, et seq. of the Virginia Code provides the authority and attendant requirements to act to collect delinquent state taxes, including, among other things, the authority to issue liens and levies to enforce collection.

### Service Area Customer Base

Customer(s)	Served	Potential
General Assembly	140	140
State Agencies	124	124
Taxpayers of the Commonwealth	3,500,000	4,000,000

### **Anticipated Changes In Service Area Customer Base**

None.

### Service Area Products and Services

- Compliance Collections provides a service by collecting delinquent taxes. This provides revenue for general and special fund appropriation needs and helps to encourage tax compliance by all taxpayers.

### **Factors Impacting Service Area Products and Services**

Efficient performance of this service relies on maintaining a well trained staff and the operation of technical support services that can quickly and reliably bring accurate information to the staff.

### **Anticipated Changes To Service Area Products and Services**

None.

### Service Area Human Resources Summary:

#### Service Area Human Resources Overview

# Service Area Plan

## Department of Taxation

### Compliance Collections (73219)

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#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

    Non-Classified (Filled)..... 0

    Full-Time Classified (Filled) ..... 0

    Part-Time Classified (Filled) ..... 0

    Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$8,024,783	\$8,513,193	\$8,024,783	\$8,513,193
<b>Changes To Base</b>	\$723,444	\$0	\$723,444	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$8,748,227</b>	<b>\$8,513,193</b>	<b>\$8,748,227</b>	<b>\$8,513,193</b>



# Service Area Plan

## Department of Taxation

### Compliance Collections (73219)

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## Service Area Objectives, Measures, and Strategies

### Objective 73219.01

#### ***To efficiently and effectively resolve state tax delinquencies.***

Enforcement of tax payments on a large scale requires a process that can, if necessary, escalate from measures that are highly efficient (e.g., the issuance of delinquency notices), but not always effective, to steps that are highly effective, but almost never efficient (e.g., shutting down a business for trust tax delinquencies). Successful management of this process requires the application of trained staff and improved technology to accomplish the goal of collecting delinquent revenue in the least expensive way possible while rapidly identifying accounts that cannot be collected without extensive effort, and accelerating the treatment of those accounts to procedures designed to be most effective. The Virginia statutes provide a wide and effective array of tools to enforce collection of taxes; the objective of this service area is to deploy those tools in the most appropriate way possible to achieve the desired results.

#### **This Objective Supports the Following Agency Goals:**

- Ensure That Virginia Citizens and Businesses Understand and Comply with Virginia Tax Obligations as Prescribed by Law  
( Compliance Collection's objective supports the agency's goal of maximizing efficiency and effectiveness in the administration of state tax laws by assuring that delinquent taxpayers are brought into compliance in the least intrusive, least costly, and most effective manner. This aligns with the long-term objective of being recognized as the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73219.01.01**

***Meet or exceed delinquent revenue estimates with no increase in resources.***

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** Compliance Collections for FY05 - \$443.1 million

**Measure Target:** Increase collections by 2 1/2 % per year

**Measure Source and Calculation:**

Agency Compliance Collection Report

Source: Computer Assisted Collection System for Government (CACSG)

#### **Objective 73219.01 Has the Following Strategies:**

- Analyze and redesign as needed the agency risk scoring software used to prioritize the handling of delinquent accounts.
- Improve private collection agency performance by revising account assignment models to include sequencing of delinquent accounts and preferential assignments based on superior performance.

### Objective 73219.02

#### ***Collect delinquent court fees.***

Primary responsibility for the collection of delinquent court fines rests with the local Commonwealth's Attorney for each county and city. The collection program at TAX was established to provide an inexpensive effective option for courts to use to access collections expertise and the economies of scale achievable in a statewide program. Participation is voluntary, with TAX currently servicing 260 of the 328 courts in the state. Collections have increased steadily since this program began in 1995.

# Service Area Plan

## Department of Taxation

### Compliance Collections (73219)

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#### **This Objective Supports the Following Agency Goals:**

- Ensure That Virginia Citizens and Businesses Understand and Comply with Virginia Tax Obligations as Prescribed by Law  
(TAX, perhaps uniquely among state agencies, has the system infrastructure and the business expertise to manage a large-scale collection program, offering both efficiency and effectiveness in the collection of court fines. This aligns with the long-term objective of being recognized as the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73219.02.01**

*Meet or exceed court fines revenue target.*

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** Gross collections of \$27 million annually

**Measure Target:** Gross collections of \$29 million annually

**Measure Source and Calculation:**

Annual report of the State Compensation Board on the collection of fines and fees.

#### **Objective 73219.02 Has the Following Strategies:**

- The Court Debt Collection Office has recently relocated to a renovated space that will allow some expansion of the wage and/or contract employee staff. Additional staff will improve recoveries for smaller balance accounts and permit larger balance accounts to be pursued more thoroughly.

# Service Area Plan

## Department of Taxation

### Training for Local Assessors (73401)

## Service Area Background Information

### Service Area Description

As part of TAX's continuing education program for assessing officers, the Property Tax Unit administers the Advanced Assessor School that is currently conducted annually at the College of William & Mary with attendance by over 150 local assessors. The program is designed basically to provide coursework that will meet the requirements for full certification offered by the International Association of Assessing Officers (IAAO).

### Service Area Alignment to Mission

The education provided local assessing officers on the assessment of real and personal property improves the process of providing fair and equitable property assessments statewide thus serving the public by enhancing the local officials' ability to properly administer the tax laws with integrity, efficiency and consistency.

### Service Area Statutory Authority

§ 58.1-206 of the Code of Virginia mandates the establishment of the above referenced educational program specifically with the requirement for certification by the International Association of Assessing Officers. Chapter 951 (2005), Item 287 gives the authorization to TAX to recover the direct costs associated with the training classes.

### Service Area Customer Base

Customer(s)	Served	Potential
Local Assessing Officials	150	150

### Anticipated Changes In Service Area Customer Base

The base of those served changes annually based on the budgets of local assessing offices and the number of those needing continuing education for certification.

### Service Area Products and Services

- The service provided involves the coordination of the Advanced Assessors' School including the hiring of instructors, finding suitable classroom space, arranging for housing and meals, obtaining course materials, handling registration, billing and payments.

### Factors Impacting Service Area Products and Services

Factors such as locality budgets, availability of instructors, adequate number of students interested in a particular offering, availability of classrooms and housing can have a negative impact on participation.

### Anticipated Changes To Service Area Products and Services

None.

### Service Area Human Resources Summary:

#### Service Area Human Resources Overview

# Service Area Plan

## Department of Taxation

### Training for Local Assessors (73401)

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#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

This service area is funded through cost recoveries. The appropriated amount is a recovery of the direct costs associated with the training classes and is received from the participating localities. These costs include the classrooms, materials, instructors, and other associated costs from the funds collected.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$0	\$81,401	\$0	\$81,401
<b>Changes To Base</b>	\$0	\$0	\$0	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$0</b>	<b>\$81,401</b>	<b>\$0</b>	<b>\$81,401</b>

# Service Area Plan

## Department of Taxation

### Training for Local Assessors (73401)

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## Service Area Objectives, Measures, and Strategies

### Objective 73401.01

***To offer local officials an economically feasible range of advanced courses designed to provide full certification by the International Association of Assessing Officers (IAAO).***

By offering economically feasible educational programs as required by law, TAX improves the expertise of local assessing officials and encourages fair and equitable assessments of real and personal property, thereby perpetuating a constitutionally mandated funding source for local governments.

#### **This Objective Supports the Following Agency Goals:**

- Provide Valuation and Assessment Assistance to Localities  
( This also supports the long-term objectives of Virginia to elevate the educational preparedness and attainment of our citizens, and ensure a fair and equitable source of funding for the necessary services provided to our citizens such as education, transportation, safety, and the preservation of other natural, cultural or historical resources.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73401.01.01**

***The number of students that participate.***

**Measure Type:** Outcome

**Measure Frequency:** Annually

**Measure Baseline:** The school trains on average 150 students per year.

**Measure Target:** 150 students annually. Number of students attending can vary widely depending upon localities' financial situation. Courses may not be offered unless an adequate number of students express an interest.

**Measure Source and Calculation:**

Use registration rosters to count the number of individuals who attend.

#### **Objective 73401.01 Has the Following Strategies:**

- A number of measures are employed annually to reduce costs such as hiring instructors that accept reduced honorariums and obtaining group rates at area hotels for instructors and students.

# Service Area Plan

## Department of Taxation

### Valuation and Assessment Assistance for Localities (73410)

## Service Area Background Information

### Service Area Description

Provide quality original and revised local property tax maps, ensure compliance with the Commonwealth's property tax laws by providing local advisory aid and assistance, and provide fair and equitable assessments of the rolling stock of freight car line companies and of the real and personal property of railroads and interstate pipeline companies while providing quality customer service.

### Service Area Alignment to Mission

The mapping assistance, advisory aid, and property valuations provided to local governments improves the process of providing fair and equitable property assessments statewide and ensures a viable tax base to support the funding of necessary services, thus serving the public and TAX's mission of administering the tax laws with integrity, efficiency and consistency.

### Service Area Statutory Authority

Title 58.1, Chapters 8, 26, 32, 34, 35, 36, and 39 and §§ 58.1-202, subdivisions 6, 10, and 11, 58.1-206; §§ 58.1-2655, 58.1-3239, 58.1-3278, 58.1-3287 and 58.1-3374, Code of Virginia provide a wide range of responsibilities of the Tax Commissioner on assessing local real estate and personal property, educating and advising local officials, administering the state recordation tax, and valuing certain public service corporation property.

### Service Area Customer Base

Customer(s)	Served	Potential
Localities	134	134

### Anticipated Changes In Service Area Customer Base

None.

### Service Area Products and Services

- Advisory aid to all local assessing officials, education of boards of equalization and boards of assessors, training provided through the Basic Assessors' School and Basic Tangible Personal Property School, staff provided for the State Land Evaluation Advisory Council (SLEAC), refunds and opinions regarding the state recordation tax, rolling stock assessments of railroads and freight carline companies, statement of assessed values for local tax purposes of railroad and interstate pipeline transmission companies, original and revised property tax maps, review of appraisals submitted in support of the state land preservation credits, and the statewide assessment/sales ratio study.

### Factors Impacting Service Area Products and Services

Limited budget sources and staffing.

### Anticipated Changes To Service Area Products and Services

None.

### Service Area Human Resources Summary:

#### Service Area Human Resources Overview

# Service Area Plan

## Department of Taxation

### Valuation and Assessment Assistance for Localities (73410)

#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0  
Vacant Positions ..... 0  
    Non-Classified (Filled)..... 0  
    Full-Time Classified (Filled) ..... 0  
    Part-Time Classified (Filled) ..... 0  
    Faculty (Filled) ..... 0  
Wage ..... 0  
Contract Employees ..... 0  
Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

#### Anticipated Changes in Service Area Human Resources

#### Service Area Financial Summary:

The total appropriation for this service area in FY07 is in the amount of \$1,033,714 which is made up of the following funding streams: The Local Valuations and Assessments budget in the amount of \$282,1653, the Mapping Services budget in the amount of \$329,021, and the Property Tax Assistance to Localities (SLEAC) budget in the amount of \$190,400 are from the general fund. The Valuation and Assessment of Public Service Corporations and Railroads budget in the amount of \$232,128 is from a special fund originating with the State Corporation Commission. The cost of mapping services per item 3-1.01 of Chapter 951(2005) is recovered from local funds.

The amount of \$130,400 was added to continue the delivery of agricultural and horticultural use values at the level of quality and support established by Virginia Tech's Agricultural and Applied Economics Department (AAEC), two situations need to be addressed. The first is a one-time request to develop a new computer application to calculate agricultural and horticultural use values. The second is a net increase in funding to support a part-time research specialist to assist in the development and use of cost of production budgets in the use-value program.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$621,061	\$232,128	\$621,061	\$232,128
<b>Changes To Base</b>	\$180,525	\$0	\$95,825	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$801,586</b>	<b>\$232,128</b>	<b>\$716,886</b>	<b>\$232,128</b>

# Service Area Plan

## Department of Taxation

### Valuation and Assessment Assistance for Localities (73410)

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## Service Area Objectives, Measures, and Strategies

### Objective 73410.01

***Promote statewide fair and equitable assessments of real estate and tangible personal property.***

The Tax Commissioner has a stake in the fair and equitable assessment of all subjects of taxation in the Commonwealth. This service area helps to ensure that local governments will have a continuing source of revenue for vital public services by the fair administration of the property tax laws pursuant to the Constitution of Virginia requiring property taxes to be assessed at fair market value and uniformly applied between taxable subjects.

#### **This Objective Supports the Following Agency Goals:**

- Provide Valuation and Assessment Assistance to Localities  
(One of the mandates performed by this service area is the administration of statewide assessment/sales ratio studies. These are used to help determine when fair market value and uniformity are achieved in local real estate assessments. Successful studies show at least in part that assessors are well educated and capable of fairly administering the local tax laws. The educational opportunities and advisory assistance offered by this service area are partly responsible for this achievement. This aligns with a number of the long-term objectives of Virginia including leading the nation in the preservation of our economy, educating our citizens, informing citizens that we serve their interests, and ensuring the public's safety and security through the preservation of one of the main local revenue sources.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73410.01.01**

***Measure the success of local assessors in achieving the mandate of assessing property at 100% of fair***

**Measure Type:** Outcome

**Measure Frequency:** Annually

**Measure Baseline:** While law requires assessments at 100% of fair market value, it provides that a ratio of not less than 70% in the year following a reassessment will be evidence of having achieved the 100% requirement.

**Measure Target:** 100% of localities attain a sales ratio of at least 70%.

**Measure Source and Calculation:**

Local sales of real estate matched to corresponding assessments – results are arrayed and a median is determined. The numerator is equal to the individual assessments of property that sold in each locality divided by the denominator, which is equal to the arm's length sale price of each property. The median ratio, coefficient of dispersion, index of regressivity and other measures of central tendency comprise the assessment/sales ratio studies that help determine when fair market value and uniformity are achieved and that are used to determine the estimated true value of local property - a key component in the formula for state aid to education. Also, ratio studies are used to equalize public service corporation property in relation to locally assessed property as required by law. Accurate property maps are essential to identify real property, assign it to the proper owner while in the field, determine its shape, location and valuation in relation to other real property, and identify natural features that affect fair market value such as lakes and streams

#### **Objective 73410.01 Has the Following Strategies:**

- Provide educational opportunities
- Offer advisory aid and assistance for localities performing reassessments



# Service Area Plan

## Department of Taxation

### Public/Private Partnerships for Revenue Administration (74702)

## Service Area Background Information

### Service Area Description

Public/Private Partnerships for Revenue Administration (Partnership)

In July 1998, TAX entered into a Public Private Partnership with CGI-AMS, Inc. (formerly American Management Systems, Inc.) to reengineer our business processes and leverage appropriate technology to enable business success. This benefits-funded modernization project has already resulted in significant operational improvements and customer service improvements, including entirely new customer services, taxpayer compliance initiatives, new filing channels, a complete modernization of all technology platforms, as well as significant organizational improvements and operational efficiencies.

The Partnership Project has already successfully completed over twenty large information technology projects, covering a wide-range of business processes, including compliance, document processing, customer service, etc. In addition, a complex and highly visible Tax Amnesty program was added to the scope of the Partnership Project and was successfully executed. The final implementation occurred during Summer 2005 with the replacement of TAX's legacy back office taxpayer accounting system (STARS) with the new accounting system Advantage Revenue (AR). The contract will conclude in July 2006.

### Service Area Alignment to Mission

The Partnership is aligned with TAX's mission, and has played a critical role in supporting TAX's critical business objectives. Over twenty new systems, and the technology infrastructure necessary to support them, have been successfully delivered, placed in production, and are now essential to our daily operations. Our employees have effectively utilized the new tools to provide levels of service never before attainable, and to revolutionize operating efficiency.

### Service Area Statutory Authority

§ 58.1-202.2 of the Code of Virginia and Chapter 951 (2005), Item 288.

### Service Area Customer Base

Customer(s)	Served	Potential
Agency Management and Employees	1,000	1,100
Federal/State/Local Governments	216	216
IRS/Professional Associations	31	31
Taxpayers of the Commonwealth	3,500,000	4,000,000

### Anticipated Changes In Service Area Customer Base

None.

# Service Area Plan

## Department of Taxation

### *Public/Private Partnerships for Revenue Administration (74702)*

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#### **Service Area Products and Services**

- The purpose of the Partnership is to deliver new technology systems and tools to TAX that will enable business success. The Partnership has already delivered over twenty new technology systems, including the following:
  - STRATA – A collection prioritization and risk assessment tool.
  - Sales Tax Audit and Nexus (STAUDN), Withholding, Corporate – An application used to perform audits at the taxpayer's place of business.
  - Computer Automated Collections System for Government (CACSG) – An automated collections system that provides for tracking of assessments through various collection stages.
  - Customer Relationship Management (CRM) – An approach to meeting customer's needs that relies on a suite of technology systems that provides customer assistance, customer contact tracking, correspondence tracking, and case management.
  - Imaging/Optical Character Recognition (OCR)/Intelligent Character Recognition (ICR) – Automated data and image capture of returns and correspondence.
  - Remittance Processing – A system that provides for preparation of checks for bank deposit and data extraction for input into the enterprise system.
  - Compliance Repository and Auditor's Toolkit – A data warehouse of taxpayer information and an application that allows for comparison of data to select audit candidates and manage the resulting audit activities.
  - Lotus Notes – Administrative applications that support applications such as an online Agency Operating Procedures application, Collaborative Work Environment application, Configuration Change Management Tracking application, a Procurement Tracking application, and a Legislative Tracking application.
  - ADVANTAGE Revenue (AR) – Back office taxpayer accounting system that maintains taxpayer demographic and account information.
  - VATAX Online – A full suite of online services for businesses and individual income tax customers.
- The iReg for Business application allows new businesses to register online and allows existing businesses to add business locations and consolidate their filings.
- The iFile for Business application allows taxpayers to file sales, use, and withholding taxes over the Internet.
- The iFile for Individual application allows individual taxpayers to file over the Internet, to check their refund, and to change their name and address.

#### **Factors Impacting Service Area Products and Services**

- Keeping trained staff employed
- Network outages
- Implementation of updates to system

#### **Anticipated Changes To Service Area Products and Services**

TAX has now implemented a series of technology-based tools that provide the opportunity for continued improvement in the areas of operational efficiency and customer service. For example, the Customer Relationship Management platform provides the ability for TAX to become increasingly sophisticated in understanding customer needs and issues and managing customer interactions in a manner that ensures a full and complete answer on the first contact. Similarly, the VATAX Online Internet presence will enable TAX to develop additional self-help services that will further reduce a taxpayer's need to write or call the Department. TAX will continue to place significant emphasis on exploiting available technology tools to better meet the needs of our customers.

# Service Area Plan

## Department of Taxation

### Public/Private Partnerships for Revenue Administration (74702)

#### **Service Area Human Resources Summary:**

##### **Service Area Human Resources Overview**

##### **Service Area Full-Time Equivalent (FTE) Position Summary**

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

##### **Factors Impacting Service Area Human Resources**

##### **Anticipated Changes in Service Area Human Resources**

#### **Service Area Financial Summary:**

The Partnership is funded entirely by new compliance revenue generated by the Partnership and deposited into the Technology Fund. As of June 30, 2004, sufficient revenue was available in the Technology Fund to pay for all remaining anticipated contract invoices, and no further revenue has been deposited into the fund. It is anticipated that all contract invoices will be paid during the first quarter of FY07.

This funding is budget authority for the Partnership Project in fiscal year 2007 to pay the remaining contract obligation. These funds are currently estimated to total \$2,500,000.

	<b><u>Fiscal Year 2007</u></b>		<b><u>Fiscal Year 2008</u></b>	
	<b>General Fund</b>	<b>Nongeneral Fund</b>	<b>General Fund</b>	<b>Nongeneral Fund</b>
<b>Base Budget</b>	\$0	\$12,783,359	\$0	\$12,783,359
<b>Changes To Base</b>	\$0	(\$10,283,359)	\$0	(\$12,783,359)
<b>SERVICE AREA TOTAL</b>	<b>\$0</b>	<b>\$2,500,000</b>	<b>\$0</b>	<b>\$0</b>

# Service Area Plan

## Department of Taxation

### Public/Private Partnerships for Revenue Administration (74702)

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## Service Area Objectives, Measures, and Strategies

### Objective 74702.01

***Have the Advantage Revenue (AR) implementation complete with system performing normally through its first tax season.***

The final task of the Partnership Project was the replacement of TAX's legacy back office taxpayer accounting system (STARS) with the new accounting system Advantage Revenue (AR). AR is the single largest component of the program. This new accounting system has been integrated with all of the other initiatives implemented during the Partnership, resulting in the Integrated Revenue Management System (IRMS). Successful completion of the contract requires significant focus on managing system defects and staff learning curves immediately following implementation to minimize customer impacts especially through the 2005 filing season.

#### **This Objective Supports the Following Agency Goals:**

- Implement innovative technologies for core business services to maximize operational efficiency and effectiveness.

( Completion of this objective will ensure successful completion of a complex series of technology projects, and continued success in operational efficiency improvements and customer service, all critical objectives for TAX. The Partnership has already contributed to the long-term goal of being recognized as the best-managed state in the nation. Numerous other organizations have already visited TAX to examine best practices in action, from as far away as Australia, Canada, Hawaii, and the Philippines. Further, TAX's Partnership has been the recipient of a number of national awards for best practices.)

#### **This Objective Has The Following Measure(s):**

- **Measure 74702.01.01**

***Meeting prior year (2004 filing season) performance measures.***

**Measure Type:** Outcome

**Measure Frequency:** Other

**Measure Baseline:** 2004 tax filing season numbers

**Measure Target:** 100%

**Measure Source and Calculation:**

Take last year's performance measures related to tax filing processing and compare to the current year.

#### **Objective 74702.01 Has the Following Strategies:**

- Both TAX and CGI AMS are placing appropriate focus on meeting this objective, including dedicating experienced, senior staff to ensure a timely and successful implementation. Executive management is tracking the progress of the effort, and ensuring that issues are addressed quickly to limit overall impact.

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

## Service Area Background Information

### Service Area Description

This area contains the administrative functions of TAX with the combining of the following sections: Fiscal Office, Human Resources, Internal Audit, Public Relations and Purchasing and Facilities. The Fiscal Office provides financial support to the agency, to include, budgeting, accounts payable, revenue accounting, and preparation of financial statements while the Human Resources area provides human resource services for all of TAX management and employees and is our liaison with the Department of Human Resource Management. The Internal Audit section performs scheduled audits of activities throughout TAX to ensure activities are being performed as intended and to identify opportunities to improve operational efficiencies, controls and lessen risks. The Public Relations Department provides effective public relations and marketing services for TAX. Specifically, the duties include publicizing, promoting, marketing, internal communications and educating the public and TAX employees about TAX's initiatives, programs, services, and accomplishments. The Purchasing & Facilities office has the following functions within its area:

- Purchasing – Procures goods and services for the agency in accordance with the VA Public Procurement Act and state procurement policies and procedures, works to insure an uninterrupted supply of goods and services that meet end-user needs and requirements, and administers eVA and the Small Purchasing Card Program for TAX.
- Fleet Management – Administers the agency fleet activities for 78 permanently assigned and 8 agency-owned vehicles.
- Facility Management – deals with all of TAX's physical plant issues.
- Security – Provides, monitors, and maintains security services to all employees.

### Service Area Alignment to Mission

By specializing in these activities, these sections collectively add to the efficiency of TAX's operations, thus permitting TAX to effectively administer the tax laws with consistency and integrity.

### Service Area Statutory Authority

Title 58.1 of the Code of Virginia and Item 284, Chapter 951 of the 2005 Virginia Acts of Assembly.

### Service Area Customer Base

Customer(s)	Served	Potential
Agency Management and Employees	1,000	1,100
Localities	134	134
Motor Fuel Districts	2	2
State Agencies	124	124
Tobacco Wholesalers	154	154

### Anticipated Changes In Service Area Customer Base

None

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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#### **Service Area Products and Services**

- • Sells tobacco stamps to wholesalers
- Prepares the Financial Statements for the agency
- Processes all invoices for payments
- Prepares the Agency budget
- Distributes funding to external agencies: localities, motor fuel districts, contribution agencies, set off agencies
- Performs the accounting for all transactions that take place in a taxpayers account, to include all revenue received, all refunds issued, all bills created, etc.
- Conducts recruitment and hiring
- Provides compensation management
- Manage benefits administration
- Administer rewards and recognition programs
- Administer performance management
- Offer employee dispute resolution
- Provide workforce development and training
- Provide succession planning
- Performs scheduled audits of activities and special projects throughout TAX
- Investigates allegations made through the State Employee Fraud, Waste, and Abuse Hotline
- Serves as TAX's liaison for audits and reviews conducted by the Auditor of Public Accounts
- Serves as Contract Administrator over Northrop Grumman
- Reports identifying opportunities to improve agency operational efficiency, effectiveness, controls, risk management, and specific areas where revenues can be increased and costs reduced
- Reports authenticating or negating allegations of employee fraud, waste, and abuse and short and long-term recommendations to address instances with merit
- Conducts timely and non-disruptive annual independent audits
- Provides relevant and timely recommendations resulting in the successful implementation of the Partnership Project initiatives and systems
- Produces agency newsletter VISION, brochures, pamphlets, fliers, posters, fact sheets, tabletop presentations, etc.
- Creates marketing campaigns, drafts media releases and media advisories
- Conducts media calls and press conferences
- Develops, bids and administers purchases for long-term contracts and spot purchases
- Administers eVA for the agency: initiates account setup, trains new users, reviews user purchases for compliance with purchasing policies and procedures, and provides general eVA and procurement assistance
- Administers the agency's Small Purchase Charge Card Program, approximately 70 cardholders
- Administers fleet activities for the agency: maintenance, repairs, recalls, inspections, licenses, decals, fuel cards, vehicle replacement, accident and incident reporting, annual reports to State Police, updating data on Vehicle Accounting System (VACCS), insurance issues, monitors mileage, and trains vehicle users in State Fleet policies and procedures
- Handles requests for state pool and permanently assigned vehicles
- Maintains agency owned facility, administers various facilities contracts
- Provide maintenance services to staff at all agency locations.
- Provide relocation services, space design and construction management at all locations
- Administer all agency leases
- Provide support services for all IT systems related to wiring and cooling needs

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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#### **Service Area Products and Services**

- Administers and updates emergency and safety procedures, throughout the agency
- Provide support services to all employees, including furniture design, repair and relocation
- Provides and maintains building services
- Provides, monitors and maintains security services to all employees
- Administer TAX's physical and access security
- Monitor daily operations and guard performance

#### **Factors Impacting Service Area Products and Services**

- 24 hour deposit rule requiring all tax payments be deposited into the bank and CARS (Commonwealth Accounting and Reporting System) within 24 hours
- Restrictive State purchasing laws, policies and procedures
- Availability of goods and services
- End-user needs and requirements (e.g. new systems, changes in tax laws)
- Availability of vehicles from State Fleet, increasing costs and staffing levels
- Enactment of VITA changes

#### **Anticipated Changes To Service Area Products and Services**

- New taxpayer accounting system being implemented in August 2005
- GASB 34 impact on Financial Statements
- An increased need to train agency employees in eVA procurement and to provide back-up to them
- With the transfer of IT staff to VITA, all telephone, data and electrical wiring for IT systems will be responsibility of TAX
- Additional security hardware and software will be required to maintain the level of security needed for the multiple locations, including additional IRS requirements.

#### **Service Area Financial Summary:**

This funding is for the many administrative support activities required to operate an agency that deposits and tracks \$16.0 billion annually. These include staff services such as:

- 1) all the fiscal office activities of accounting for and distributing such revenues, the paying of agency bills timely, planning and executing agency's budget and operating planning; submitting all required agency financial reports timely and correctly
- 2) purchasing agency needed supplies and contractual services
- 3) operating the agency's buildings and leases
- 4) providing physical security for our employees, equipment and confidential data
- 5) effectively communicating with the media and other external entities
- 6) providing human resource services to attract, retain, train, compensate, and evaluate agency employees

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$9,710,336	\$67,225	\$9,710,336	\$67,225
<b>Changes To Base</b>	\$140,176	\$0	\$152,840	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$9,850,512</b>	<b>\$67,225</b>	<b>\$9,863,176</b>	<b>\$67,225</b>

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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## Service Area Objectives, Measures, and Strategies

### Objective 79900.01

#### ***Account for all revenue flowing through TAX and produce daily reports.***

TAX must accurately account for all deposits and transfers of the approximately \$15.5 billion in revenue that flows through the agency. Daily reports of revenue deposits are produced and distributed to the executive and legislative branches.

#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
( The above service is mandated in the Commonwealth Accounting Policies and Procedures (CAPP) manual governed by the Department of Accounts. This objective aligns with the long-term objective of being the best-managed state.)

#### **This Objective Has The Following Measure(s):**

- **Measure 79900.01.01**

##### ***Timely submission of the daily deposit report and CARS reports.***

**Measure Type:** Outcome      **Measure Frequency:** Monthly

**Measure Baseline:** Currently the agency is able to accurately account for all revenue with the use of STARS.

**Measure Target:** Submission of the daily deposit reports each day and continue to have the ability to deposit all revenue in Revenue Source Code 01200 and then have the funds transferred to the proper fund and revenue source code once the return is processed.

**Measure Source and Calculation:**

DOA CARS report will be used as a measurement. Continue to deposit all revenue into Revenue Source Code 01200 in CARS and then ensure that the payment is transferred to the proper fund and revenue source code once the tax return has been processed.

#### **Objective 79900.01 Has the Following Strategies:**

- Ensure adequate computer resources and staffing are available to transfer payments to the proper fund and revenue source code once the payment is processed.

### Objective 79900.02

#### ***Submit all financial statements timely and without any material adjustments from the Department of Accounts (DOA) and the Auditor of Public Accounts (APA).***

The agency's financial statements are included in the Commonwealth Annual Financial Report (CAFR) and have a significant impact on the state's bond rating because of the amount of revenue, receivables, and deferred credit reported. Absolute accuracy is critical.

#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
( The above service is mandated in the Commonwealth Accounting Policies and Procedures (CAPP) manual governed by the Department of Accounts. This objective aligns with the long-term objective of being the best-managed state.)



# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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#### **This Objective Has The Following Measure(s):**

- **Measure 79900.02.01**

***The Financial statements submitted to DOA.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** TAX was able to submit all financial statements timely and without any material adjustments in FY04.

**Measure Target:** Zero material adjustments to the Financial Statements

**Measure Source and Calculation:**

APA annual audit and the CAFR

#### **Objective 79900.02 Has the Following Strategies:**

- Continue to become knowledgeable of all Governmental Accounting Standards Board (GASB) statements.

#### **Objective 79900.03**

***Effectively communicate with the media and other external entities.***

TAX receives a substantial number of media inquiries that require that information and accurate information be provided on a timely basis. At the same time, TAX has an obligation to communicate with the public on critical issues to help public understanding and compliance.

#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
( Citizens of the Commonwealth of Virginia deserve to be informed when there are new programs or initiatives, changes to existing TAX programs, or issues that may affect them when they file their state taxes. This objective aligns with the long-term objective of being the best-managed state. This objective aligns with the long-term objectives of Virginia because it seeks to 1) elevate the levels of educational preparedness and attainment, and 2) informs citizens to ensure we serve their interests.)

#### **This Objective Has The Following Measure(s):**

- **Measure 79900.03.01**

***Number of media inquiries received and responded to in a timely manner.***

**Measure Type:** Output      **Measure Frequency:** Monthly

**Measure Baseline:** The Public Relations Department responded to 49 media requests, or an average of just fewer than 10 per month, during the first five months of 2005. The department responded to each of these media requests in a timely manner

**Measure Target:** 100%

**Measure Source and Calculation:**

Media Contact Reports will serve as the source of measurement data for this objective. A note will be put on the report if, for any reason, the information was not relayed to the media the same day, or within the requestor's stated deadline. At the end of a month, these reports will be tabulated.

#### **Objective 79900.03 Has the Following Strategies:**

- Recording all incoming requests or inquiries from the media or other external entities, including the requestors' stated deadlines for receiving the requested information.

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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- Understanding that media inquiries take precedence over most other tasks of the Public Relations Department.
- Documenting the outside requests and responses, along with the potential impacts on the Department of Taxation, in daily Media Contact Reports.

#### **Objective 79900.04**

##### ***Attract and retain qualified workers by strategically utilizing flexibilities afforded in HR management and compensation policies.***

The Department's most important resources are its employees. To be effective, TAX must have effective employment and compensation practices in place to attract and retain the right people to do the work of TAX. TAX should be seen as a good place to work, with flexible employment practices that meet the needs of our employees so that they stay with us. Management's effective use of the HR policies will assist us in meeting this objective.

##### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
( The agency cannot fulfill its overall mission of serving the public if it does not have a capable, motivated, and diverse workforce. This objective is in line with Virginia's long-term objective to be recognized as the best-managed state in the nation.)

##### **This Objective Has The Following Measure(s):**

- **Measure 79900.04.01**

###### ***Vacancy rate***

**Measure Type:** Outcome

**Measure Frequency:** Monthly

**Measure Baseline:** 4.5%

**Measure Target:** Vacancy rate should be no greater than 5%.

###### **Measure Source and Calculation:**

HR's Vacancy Report. As positions are approved to fill, they are entered onto the HR vacancy list and included in the Fiscal Office's Personal Services Costs report.

- **Measure 79900.04.02**

###### ***Average time to hire***

**Measure Type:** Outcome

**Measure Frequency:** Quarterly

**Measure Baseline:** 58 days to fill.

**Measure Target:** Positions should be filled within 60 days.

###### **Measure Source and Calculation:**

HR's Vacancy Report. Dates are captured from the date they are approved by the Secretary of Finance until hired.

##### **Objective 79900.04 Has the Following Strategies:**

- Ensure that TAX is offering appropriate compensation packages to attract right skill sets.
- Use a mixture of base salary adjustments and bonuses to reward top performers to retain them.
- Revise employment processes to ensure managers fill vacancies timely.

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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- Acquire and implement an on-line applicant intake system to streamline the processing and screening of applicants.
- Conduct telecommuting pilots in other areas of the agency to determine if agency needs can be met effectively.

#### **Objective 79900.05**

***Make sufficient investment in the training and development of the workforce to be able to meet the current and future business needs of the agency.***

More than 60% of the Department's operating budget is staff costs. The agency needs to invest in continual development of the staff to ensure they can meet the increasing demands of the customers and deliver the highest level of service. Continual learning is also an important retention tool.

#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
(The agency cannot fulfill its overall mission of serving the public if it does not have a capable, motivated, and diverse workforce. This objective is in line with Virginia's long-term objective to be recognized as the best-managed state in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 79900.05.01**

***Average number of non-technical courses per quarter for managers/supervisors.***

**Measure Type:** Outcome      **Measure Frequency:** Quarterly

**Measure Baseline:** 1.43 courses/manager/supervisor

**Measure Target:** Annual increase over baseline of at least 5%

**Measure Source and Calculation:**

Generated from the Learning Management System.

- **Measure 79900.05.02**

***Average number of courses per quarter for all employees***

**Measure Type:** Output      **Measure Frequency:** Quarterly

**Measure Baseline:** 2.06 courses/employee

**Measure Target:** At least 7.5% increase over baseline annually

**Measure Source and Calculation:**

Generated from the Learning Management System

#### **Objective 79900.05 Has the Following Strategies:**

- Continue to design, develop and update technology based training and mix with classroom training to deliver needed skills.
- Partner with outside vendors to deliver management development training to managers/supervisors.

#### **Objective 79900.06**

***To assist TAX's Leadership Team effectively discharge their responsibilities through systematic and disciplined evaluations that improve the effectiveness of agency risk management, control, and governance processes.***

# Service Area Plan

## Department of Taxation

### Administrative and Support Services (79900)

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As the primary source of the Commonwealth's revenues, it is extremely important that citizens believe tax laws are fair and equitably applied and that TAX uses the resources received efficiently and effectively.

#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
( Through recommendations made in Internal Audit reports and actions taken to address areas needing improvement or change, this objective will help ensure that TAX administers the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency and contribute to the overall of objective of being the best managed State in the nation.)

#### **This Objective Has The Following Measure(s):**

- **Measure 79900.06.01**

*Examinations of top 10 high-risk activities of the agency.*

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** 20% of top 10 high-risk activities examined.

**Measure Target:** Examination of 30% of top 10 high-risk activities.

**Measure Source and Calculation:**

From the schedule of completed annual audits the number of top 10 high-risk activities examined in relation to all audits completed.

#### **Objective 79900.06 Has the Following Strategies:**

- Realignment of staff resources to address a higher percentage of the top 10 high-risk activities.

#### **Objective 79900.07**

***To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.***

The Management Scorecard grades agencies on five criteria: Human Resource Management, Government Procurement, Financial Management, Technology, and Performance Management (the sixth, "Environmental & Historic Resource Stewardship" was not measured in 2005). This objective will measure TAX's ability to meet expectations in these areas.

#### **This Objective Has The Following Measure(s):**

- **Measure 79900.07.07**

*Percent of Governor's Management scorecard categories marked as meets expectations for the agency*

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** The 2005 percentage calculated based on the agency scorecard is 100%.

**Measure Target:** Maintain 100%

**Measure Source and Calculation:**

Simply take the number of categories where your agency scored "Meets Expectations" and divide by five. This number will serve as your agency's base line.

# Service Area Plan

## Department of Taxation

### Information Technology Services (79902)

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## Service Area Background Information

### Service Area Description

Information Technology Support is responsible for leveraging technology to enable all of TAX's business objectives and priorities, by developing, enhancing and maintaining systems, including application software and supporting hardware. TAX, as an agency, is dependant on technology in every aspect of daily operations. Nearly every employee relies on available and accurate information systems to perform essentially all of their daily responsibilities, and most employees, including auditors, collectors and customer service staff, are unable to perform the majority of their core responsibilities when these systems are not available.

TAX supports and maintains a broad range of complex information systems. Examples of the more than twenty information systems supported include:

- STRATA – A collection prioritization and risk assessment tool.
  - Sales Tax Audit and Nexus (STAUDN), Withholding, Corporate – An application used to perform audits at the taxpayer's place of business.
  - Computer Automated Collections System for Government (CACSG) – An automated collections system that provides for tracking of assessments through various collection stages.
  - Customer Relationship Management (CRM) – An approach to meeting customer's needs that relies on a suite of technology systems that provides customer assistance, customer contact tracking, correspondence tracking, and case management.
  - Imaging/Optical Character Recognition (OCR)/Intelligent Character Recognition (ICR) – Automated data and image capture of returns and correspondence.
  - Remittance Processing – A system that provides for preparation of checks for bank deposit and data extraction for input into the enterprise system.
  - Compliance Repository and Auditor's Toolkit – A data warehouse of taxpayer information and an application that allows for comparison of data to select audit candidates and manage the resulting audit activities.
  - Lotus Notes – Administrative applications that support applications such as an online Agency Operating Procedures application, Collaborative Work Environment application, Configuration Change Management Tracking application, a Procurement Tracking application, and a Legislative Tracking application.
  - ADVANTAGE Revenue (AR) – Back office taxpayer accounting system that maintains taxpayer demographic and account information.
  - VATAX Online – A full suite of online services for businesses and individual income tax customers.
- The iReg for Business application allows new businesses to register online and allows existing businesses to add business locations and consolidate their filings.
- The iFile for Business application allows taxpayers to file sales, use, and withholding taxes over the Internet.
- The iFile for Individual application allows individual taxpayers to file over the Internet, to check their refund, and to change their name and address.

### Service Area Alignment to Mission

This service area provides mission critical enabling support to all operating areas of TAX.

### Service Area Statutory Authority

# Service Area Plan

## Department of Taxation

### Information Technology Services (79902)

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#### **Service Area Customer Base**

Customer(s)	Served	Potential
Agency Management and Employees	1,000	1,100
Federal/State/Local Governments	216	216
IRS/Professional Associations	31	31
Taxpayers of the Commonwealth	3,500,000	4,000,000

#### **Anticipated Changes In Service Area Customer Base**

None.

#### **Service Area Products and Services**

- Manage technology support delivery – Plan and manage delivery of the technology systems at TAX that enable business operations, including the budget for technology services.
- Develop and maintain application software - develop, test, maintain and operate TAX's technology systems, including over twenty complex IT systems that comprise an Integrated Revenue Management System. Includes annual legislative modifications, as well as TAX's self-service eGovernment channels.
- Manage the technology environment configuration – manage, plan, monitor, and oversee TAX's technology infrastructure, and approve all changes to the technology infrastructure, including a Change Control group that ensures effective migration (and protection) of all production systems, upgrades, maintenance, enhancements, releases, etc. Ensure all components of the technology infrastructure (hardware, software, and environment configurations) are maintained and changes to production systems are properly controlled and tested.
- Administer and enable IT Security – Administer daily security activities such as adding, removing, and modifying users and their associated access (over 2,500 system users), reviewing audit trails, access attempts, virus threats, and potential browsing incidents, ensuring the security of TAX's data, systems and technology infrastructure by providing expert guidance to ensure security is "designed in" and exploiting best practices use of technology tools to better detect intrusion, prevent unauthorized access, and enhance security administration.
- Manage IT Disaster Recovery - Manage a comprehensive IT Recovery plan, encompassing all aspects of IT connectivity, applications and services. Ensure the full recovery of any unplanned computing services interruptions.
- Ensure Quality Control - Ensure changes to production systems are monitored and controlled to reduce risks to the agency and minimize errors. Ensure software changes are successfully migrated from test to production. Manage software version control to ensure a clear separation between test systems and production systems. Approximately 1,200 changes are implemented annually.
- Support TAX's Technology Infrastructure – Management of TAX's databases and support for UNIX.

# Service Area Plan

## Department of Taxation

### Information Technology Services (79902)

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#### Factors Impacting Service Area Products and Services

- Technology systems, including application software and hardware, must be upgraded and refreshed on an ongoing basis to ensure they operate correctly and are available for use by end users. Further, TAX must refresh hardware and upgrade software versions in a timely manner to eliminate the risk of the Commonwealth's revenue systems becoming obsolete again in the future, jeopardizing all of TAX's business operations.
- Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel.
- The customer demand for and use of electronic, self-help services continues to increase, requiring continued capacity expansions within existing services.
- Agency management and users continue to demand automated solutions to replace historically manual tasks. This results in increased operating efficiency and improved customer services, but requires an ongoing commitment to information technology services.

#### Anticipated Changes To Service Area Products and Services

- Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel.
- The customer demand for and use of electronic, self-help services continues to increase, requiring the development of new electronic channels to replace traditional paper-based services as well as those services which currently involve direct interaction with agency staff. TAX plans to continue to exploit the eGovernment capabilities implemented in recent years to allow more citizens to interact with us electronically at a time that is convenient for them.
- Over the past few years, TAX implemented a broad range of technology-based solutions that have allowed dramatic improvements in operating efficiency as well as allowed TAX to improve service to citizens. Now that the tools are in place, TAX plans to exploit the capabilities inherent in those tools to ensure continuous improvement in operating efficiency and customer service.

#### Service Area Human Resources Summary:

##### Service Area Human Resources Overview

##### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level .....	0
Vacant Positions .....	0
Non-Classified (Filled).....	0
Full-Time Classified (Filled) .....	0
Part-Time Classified (Filled) .....	0
Faculty (Filled) .....	0
Wage .....	0
Contract Employees .....	0
Total Human Resource Level .....	0

##### Factors Impacting Service Area Human Resources

##### Anticipated Changes in Service Area Human Resources

# Service Area Plan

## Department of Taxation

### Information Technology Services (79902)

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#### **Service Area Financial Summary:**

The total spending budget for Information Technology supports a number of critical areas, including:

- Technology staff to maintain TAX's technology environment and software applications
- Maintenance contracts to ensure manufacturer support, upgrades, periodic releases and patches on operating systems, software languages, and custom developed software systems. Also includes maintenance contracts, including preventive maintenance and equipment repair) on imaging equipment, remittance processing equipment, etc.
- Hardware and equipment (such as desktops, laptops, printers, telephones, remittance processing transports, imaging scanners, telephony equipment, etc.) replacement costs and software costs to ensure all technology hardware is fully functional and meets user's requirements. Includes purchased and leased hardware.
- Connectivity and Telephony charges for local and long distance telephone charges, telecommunications charges, server hosting fees, disaster recovery services, etc.

#### Information Technology Expenditures Summary

44% Personal Services

23% HW/SW Maintenance Contracts

18% Connectivity and Telephony Services

11% HW/SW and Equipment

4% Other

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$24,863,153	\$0	\$24,863,153	\$0
<b>Changes To Base</b>	\$1,236,027	\$0	\$1,236,027	\$0
<b>SERVICE AREA TOTAL</b>	<b>\$26,099,180</b>	<b>\$0</b>	<b>\$26,099,180</b>	<b>\$0</b>



# Service Area Plan

## Department of Taxation

### Information Technology Services (79902)

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## Service Area Objectives, Measures, and Strategies

### Objective 79902.01

#### ***Maintain customer satisfaction levels with online self-service technologies.***

The fundamental objective of Information Technology is to effectively support and enable the strategic business objectives of the operational areas of TAX, and success of this service area is primarily measured through TAX's ability to meet its strategic priorities to address customer needs and ensure a high level of operational efficiency and effectiveness. TAX maintains a number of eGovernment self-service channels that are used by taxpayers to interact with the agency. For example, a new business in Virginia can register, file, pay, and get answers to confidential account-specific questions without ever touching a piece of paper or speaking to a TAX employee. Over 60% of new businesses in Virginia now take advantage of these online channels to register their business.

#### **This Objective Supports the Following Agency Goals:**

- Provide for the effective performance of TAX personnel.  
( Elimination of paper-based transactions is a key business objective for TAX. Alternative channels have been implemented that allow taxpayers to meet their filing and payment obligations in a paperless manner. Customer satisfaction is key to acceptance and use of these online channels. This aligns with engaging citizens to ensure we serve their interests.)

#### **This Objective Has The Following Measure(s):**

- **Measure 79902.01.01**

##### ***Utilize the results of on-line surveys to measure customer satisfaction.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** Individual iFile:98% of users found the service easy to use, 99% of users stated they would use the service again. iReg:97% of users would recommend to other businesses. Business iFile:99% of users would use iFile in the future.

**Measure Target:** Maintain at least a 98% customer satisfaction rating.

**Measure Source and Calculation:**

An on-line survey tool collects measurement data. TAX measures user satisfaction through online surveys.

#### **Objective 79902.01 Has the Following Strategies:**

- Utilize customer input to understand customer issues or concerns with online tools, and adjust the applications where appropriate to better meet customer's needs
- Proactively inform users of pending changes, including improvements in functionality